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Beijing Readies Army for Hong Kong

Preparing for 1997, China Trains Force For Duty in Center

By Kevin Murphy
International Herald Tribune
HONG KONG — Specially trained People's Liberation Army units will be deployed in central Hong Kong areas soon after the British colony reverts to Chinese rule in 1997, a senior Chinese military official said Friday in Beijing.

China's first public disclosure of its military plans for Hong Kong — a point of contention since Britain and China first opened negotiations on the transfer of sovereignty — was greeted with deep concern by Hong Kong politicians whose constituents carry vivid memories of the army's role in the Beijing crackdown on pro-democracy demonstrators in 1989.

Hong Kong is already nervous about the continuing dispute between Britain and China over political reform in the colony as well as the potential spillover from China's efforts to restrain its overheating economy.

"We will have stricter requirements and higher demands on Chinese troops so they can do a better job fulfilling their defense role in the territory," said Xu Huzi, deputy chief of the army's general staff.

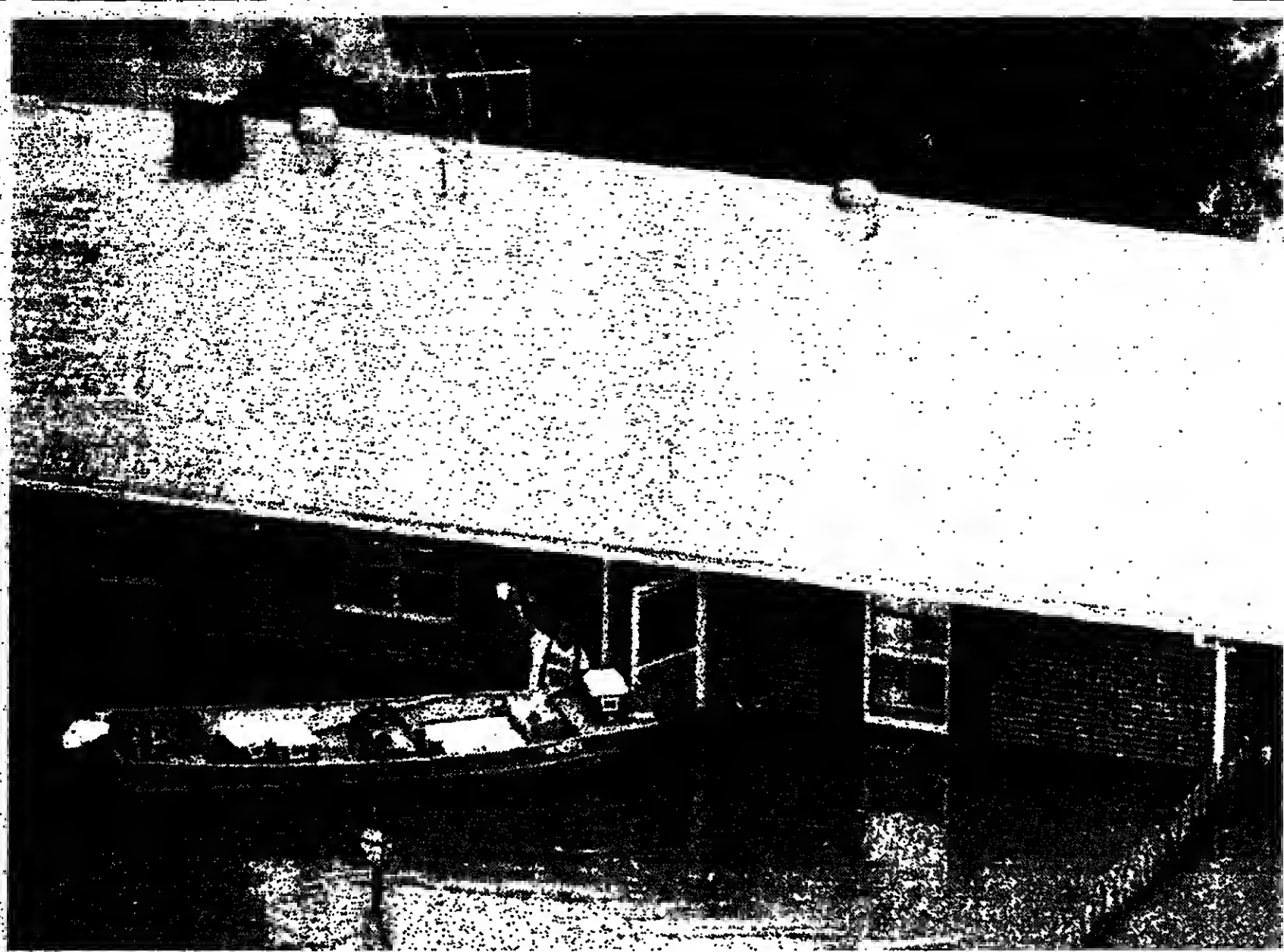
Details of the military's plans coincided with the inaugural meeting of Beijing's Preparatory Work Subcommittee, which has been set up to assist China's recovery of Hong Kong. It is seen by many residents as a possible rival — and destabilizing — administration to the Hong Kong government in the run-up to 1997.

General Xu, one of the preparatory group's members, said in Beijing that troops now being trained in adjacent Guangdong Province would be schooled in Hong Kong laws, English, the local Cantonese dialect and other languages for their assignment.

China-British treaties concerning the establishment of a Special Administrative Region for Hong Kong, which will operate for 50 years starting on July 1, 1997, agreed that the military would not be deployed to Hong Kong when the territory reverts to China.

But agreement on whether the army would inherit military properties now garrisoned by British forces has never been reached in numerous Chinese-British joint

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HIGH WATERS — A woman waving from her half-submerged house in West Alton, Missouri, on Friday as floodwaters continued to rise in the St. Louis area. Page 3.

Survival of EC Money Grid Hangs in Balance

By Carl Gemert
International Herald Tribune

PARIS — The European Monetary System suffered another day of testing Friday, as stable and frequent forecasts of concerted intervention by eight central banks barely succeeded in keeping the Danish krone within the system's fluctuating range.

All stakeholders said, was the very survival of the European system of exchange rates locked within fixed bands, which is supposed to be the precursor of a monetary union of European Community members later this decade.

The assumption is that if the Danes are forced out of the system, as the British and the

Dutch were last year, the French franc would come under intolerable pressure. Since the franc and the Deutsche mark are the system's core currencies, the system would collapse if the franc were forced out.

To help relieve the strain on the krone, Denmark raised its official discount rate to 9.25 percent from 7.25 percent, effective Monday, following Thursday's increase in its key securities repurchase rate to 9 percent from 7.8 percent.

Late Friday, the Dutch central bank tried to lead a hand by reducing a key money market rate to 6.6 from 6.7 percent in an attempt to make its currency less attractive relative to the krone. The Danish currency, at 3.4533 kroner to the Dutch guilder, was near its floor in the

currency grid, which is 3.4624 kroner to the guilder.

Reflecting the intense speculation, the cost of overnight money in Denmark soared to 35 percent. But with unemployment running at almost 13 percent, inflation at just 1 percent and economic output down 1.6 percent in the first quarter of the year, analysts insist that Denmark's increase in interest rates to protect the currency lacks credibility.

"The increase in Danish rates is unsustainable and counterproductive," said Neil MacKinnon at Citibank in London. "It can only deepen and extend the recession. With no chance of recovery, the pressure on the krone can only increase."

The French franc remained weak Friday but was mostly a bystander. In late trading, the franc stood at 3.4153 to the mark, slightly stronger than Thursday and still some distance from its floor of 3.4305 in the monetary grid.

Analysts said traders focused on the krone because it was an easier "target" than the franc in the long-running battle between European governments committed to fixed exchange rates and market participants skeptical that governments can afford to maintain the high level of interest rates needed to hold the exchange rate.

"The market in Denmark is smaller, inflation is lower, unemployment is higher and the level

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Attali Hastens Exit From European Bank After New Revelations

By Erik Ipsen
International Herald Tribune

LONDON — Following scathing revelations of mismanagement contained in a new report, the European Bank for Reconstruction and Development announced Friday that Jacques Attali would leave his post as president immediately rather than wait for a successor to be named.

The damning report indicated that the original source of the charges of overspending at the EBRD — the vast sums spent on Carrara mar-

ble and custom-built curved doors at its new headquarters — was far from the bank's most egregious failing. It disclosed, among other things, that the EBRD had operated offices in Paris since its inception without its board of directors' knowledge and that Mr. Attali used bank funds for personal expenses that were reimbursed only after the audit was begun.

The audit committee's long-awaited report comes three weeks after Mr. Attali said he would resign in the face of growing allegations of misconduct. The report, which submitted to

the bank's board shortly before midnight Thursday, was followed Friday by a statement from the bank announcing Mr. Attali's departure.

"The report levels serious criticism on some of President Attali's actions," Anne Wibble, the Swedish finance minister who is also chairman of the bank's board of governors said in a statement.

Her statement was conspicuously lacking in any words of praise for Mr. Attali's work at the bank, which was formed to help the struggling

nations of Eastern Europe to develop Western-style market economies.

Among the bigger surprises in the report was the news that the bank operates offices in Paris, most recently on the Boulevard de la Madeleine, without the knowledge of the board. "We have often asked ourselves why this was not brought to the board of directors," said Claes de Noogard, the 43-year-old Swedish director who chaired the audit committee, at a news conference.

The audit committee said that the office was

never mentioned to the board "either in connection with a policy on offices or in connection with a budget." Nor did the audit committee entirely believe management's explanation that the phantom office had been paid for out of a separate 5 million French franc (\$850,000) fund set up by the French government.

In an echo of the Watergate scandal in America, the report said that it had experienced difficulty in verifying management's claims as

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North Korea And U.S. Cite Progress in Nuclear Talks

Pyongyang to Discuss 'Outstanding Issues' With Vienna Agency

By R. Jeffrey Smith

WASHINGTON — North Korea has agreed in discussions with the United States to take two steps that may help resolve an international crisis surrounding its refusal to accept international inspections of its nuclear-related facilities, U.S. officials disclosed Friday.

The officials said the agreement reached Friday in Geneva represented important progress but fell short of meeting the chief U.S. goals for resolving the crisis over North Korea's potential development of a nuclear bomb.

North Korea provoked the crisis in February by refusing an International Atomic Energy Agency request to visit two suspected nuclear-waste sites. U.S. and allied officials have said the inspections are vital because the sites likely harbor evidence of how much fissile material North Korea has made for nuclear weapons.

North Korea has denied that the sites are nuclear-related and insisted that it is not developing a nuclear bomb. But it raised concern throughout Asia by threatening in March to withdraw from the Nuclear Nonproliferation Treaty, which bars its signatories from developing nuclear weapons.

After talks with U.S. officials last month in New York, North Korea agreed to suspend its threat to withdraw from the treaty. But U.S. officials had hoped to win a commitment that North Korea would abandon the threat, accept inspections and implement a bilateral accord with South Korea prohibiting any nuclear-related work.

U.S. officials said that after talks on Wednesday and Friday, the North Korean vice minister of foreign affairs, Kang Sok Chu, had told the U.S. assistant secretary of state for political-military affairs, Robert L. Gallucci, that Pyongyang was willing to begin a dialogue with officials of the International Atomic Energy Agency about all "outstanding issues" surrounding the inspection request.

The officials said this commitment was understood to mean that North Korea would work out a solution to the inspection impasse. Mr. Kang also agreed to renew discussions with South Korea on the bilateral accord as soon as possible, U.S. officials said.

News agencies reported from Geneva: Indicating progress in talks aimed at curbing North Korea's suspected nuclear-weapons program, Mr. Gallucci said he expected to make a substantive announcement after a new round of talks on Monday.

The impression of fresh momentum was strengthened by the North Koreans. Pak Chang Rim, spokesman for the North Korean mission, said, "The negotiations are going well." And, contradicting weeks of statements to the contrary from Pyongyang, Mr. Kang said, "We've never been pessimistic."

The Americans and North Koreans reconvened in Geneva on Wednesday for what was to have been a one-day session. Encouraged by the results, the two sides met again Friday. Then, in a surprise development, they said they would also confer on Monday.

In a brief statement Friday, Mr. Gallucci, the U.S. delegation chief, said: "The U.S. and the DPRK have agreed on another meeting on Monday, July 19. We expect that we will have something substantive to share with you after

See KOREA, Page 2

Kiosk

U.S.-Russian Accord Clears India Sales

WASHINGTON (Reuters) — The United States and Russia have reached a last-minute agreement on the proposed sale of rocket engines and related technology to India, the State Department said on Friday.

The deal would allow some of the rocket engines to be sent to India but would limit technology transfer, and would not impose any economic sanctions on Russia, a department spokesman, Michael McCurry, said.

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Dow Jones		Trib Index	
Down	22.64	Up	0.16%
	8,588.29		103.12

The Dollar		Previous Close	
New York	1.7155	1.7208	
DM	1.4985	1.4908	
Pound	1.0725	1.0618	
Yen	1.5815	1.5815	

In Japan, Ruling Party Shifts the Focus

By T. R. Reid
Washington Post Service

TOKYO — It was anger over illicit political payoffs that prompted the successful no-confidence vote against Prime Minister Kiichi Miyazawa and his Liberal Democratic government last month. It was public disgust with corruption that sent Mr. Miyazawa's approval rating to single-digit levels two weeks ago.

But in the past week or so, the Liberal Democrats have managed to change the subject in the national campaign. In accordance with the plan laid out by Mr. Miyazawa's top strategist, Seiroku Kajiyama, much of the public discourse now deals with foreign policy, the economy and energy policy — areas where the Japanese have traditionally trusted the Liberal Democrats, who have ruled the country for nearly 38 years.

When the no-confidence vote took place June 18, setting up Sunday's election, almost everyone seemed to agree that political corruption — and the Liberal Democrats' failure to pass "reform" legislation to stem it — was the issue of the hour.

In the closing days of the campaign, the Liberal Democrats are talking about anything but political reform. And the opposition, to some extent, has been pulled right along.

This seems to have had an impact. A survey of 110,000 people reported in the mass-circulation Yomiuri Shimbun showed that people rate

pension and welfare worries, and general concern for the economy, above political scandals when asked to name the most important issues in the election.

In campaign speeches, TV debates, and their focus, nationally televised five-minute "issue broadcasts," candidates are still talking about corruption. But they are giving more time to questions like a tax cut and relations with the United States.

One impetus for this — a clear stroke of luck for the Liberal Democrats, as it turns out — was last week's Tokyo summit meeting. Communist hard work pays dividends for Japanese politicians, and so do family ties. Page 5.

ing smack in the middle of the three-week election campaign, it served two key purposes for Mr. Miyazawa.

First, the meeting's focus on global problems and on U.S.-Japan trade friction pulled voters and candidates away from their single-minded focus on political reform. Second, Mr. Miyazawa's strong performance as host and chairman of the summit meeting enhanced his stature at a time when he was scraping bottom in public esteem.

There had been some concern in the U.S. delegation to the summit meeting that Presi-

dent Bill Clinton might be seen as intruding into the electoral debate, particularly when he was filmed hobnobbing with Mr. Miyazawa's chief opponents at a party.

But when Mr. Clinton and Mr. Miyazawa announced a "deal" on a vague plan to start a new round of trade talks, Mr. Miyazawa emerged as the clear victor from the summit meeting.

Another factor is a new book by Ichiro Ozawa, a leader of the rebel forces that broke from the Liberal Democratic Party over the issue of reform. Mr. Ozawa is one of the leaders of the newly-formed Japan Renewal Party, a leading force in the anti-LDP movement.

His book, "Blueprint for Rebuilding Japan," has risen to the top of the best-seller lists here. It does include a demand for political reform laws, but most of the text deals with more cosmic concerns like Japan's role in the world, the nation's extensive regulatory apparatus, and the national tax structure.

All of this may explain recent polls here showing that the Liberal Democrats may not lose as many seats as originally predicted.

No poll suggests that the party can maintain the majority control it has held since 1955. But some surveys say the dominant party will win enough seats to put it into striking distance of forming a loose coalition that would keep a Liberal Democrat in the prime minister's seat.

MI5 Doffs Cloak to Show Off Its Chief and Its Operations

Compiled by Our Staff From Dispatches

LONDON — Britain's MI5 security service ended more than 80 years of secrecy on Friday when it published a booklet on its cloak-and-dagger operations and its head, Stella Rimington, allowed herself to be photographed.

Mrs. Rimington, 58, arranged a photo session with Home Secretary Michael Howard, the first public engagement for a director-general since MI5 was set up in 1909. Dressed in a grey silk jacket and black skirt and wearing pearl earrings and a huge ring on her wedding finger, Mrs. Rimington appeared at ease. She smiled often as she acquiesced to photographers' requests.

"She was very calm and collected," a photographer said. "She was like someone you would meet in a shop. I would probably not recognize her again." The sudden publicity is part of a pledge by Prime Minister John Major for more open government.

Until recently, it was an offense under the Official Secrets Act even to publish the name of the director-general, known as "K" within the service.

The Sun ran a photo of Mrs. Rimington smiling and holding a glass of champagne at a cocktail party in its late editions on Friday. In the past papers have run a blurred picture of her wearing an ankle-length coat.

She succeeded Sir Patrick Walker on his retirement in February 1992.

The booklet, called "The Security Service", gave details of the organization's history, how it is controlled and its "assessment of the changing threat to national security."

Some 70 percent of the resources of the service, which employs about 2,000 people, are devoted to counterterrorism and 25 percent to counterespionage. Mrs. Rimington said some of its operations were too secret to divulge.

"It is difficult to comment on allegations about the service without revealing, by what is said or not said, information that might compromise past, present and future opera-



Stella Rimington, Britain's senior counterespionage, Friday in her first official photo.

tions," she wrote in a foreword in the 36-page glossy brochure.

MI5 became the subject of its own Security Service Act in 1989, which put it on the statute books. Since the end of the Cold War

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The Long Arm of U.S. Law Traps Hijacker in Lagos

By Stephen Engelberg
New York Times Service

WASHINGTON — Springing a trap set by months of diplomatic pressure, FBI agents have seized one of the most notorious airplane hijackers of the 1980s in an airport in Lagos and banded him aboard a flight for the United States, officials said.

The man, Omar Mohammed Ali Rezaq, faces charges stemming from the Nov. 23, 1985, hijacking of an Egypt Air flight from Athens to Cairo that ended in the deaths of two hijackers and 60 passengers, including an American.

The operation marks only the second opportunity for the United States to use "long-arm statutes" passed by Congress to

give federal prosecutors jurisdiction to prosecute terrorist acts against Americans outside this nation's borders.

Mr. Rezaq, the lone survivor of three Palestinian hijackers, was convicted in Malta and sentenced to 25 years in prison.

A confession in Cairo links him to the New York Trade Center explosion. Page 3.

But he was released in February — in response to pressure from Libya, officials believe — and fled to Ghana.

After several months of delicate negotiations, FBI agents were aboard when Mr. Rezaq was put onto a flight from Ghana to Lagos, the officials said. After he was refused entry

by Nigeria, in a plan that had been approved by authorities there, he was put on a flight bound for Washington.

A government official said Thursday that Mr. Rezaq had surrendered without incident. He was then placed aboard a U.S. government jet.

Mr. Rezaq's role in the hijacking was particularly noteworthy. The plane landed in Malta for refueling, and when authorities would not comply with the hijackers' requests, he shot two passengers in the head and kicked their bodies to the tarmac.

One of those killed was Scarlett Rogenkamp, of Oceanside, California; the other, Nitzan Mendelson, was an Israeli. An

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STATESIDE / HIGH WATER

POLITICAL NOTES

Nominee's Hearing Postponed

WASHINGTON — The White House has bowed to Republican pressure to postpone confirmation hearings for President Bill Clinton's nominee for surgeon general, Dr. Joycelyn Elders, to give her supporters and opponents more time to examine ethical questions uncovered in background checks.

The most serious issue is a lawsuit filed against the National Bank of Arkansas over events that occurred when Dr. Elders was serving on its board. The bank was the subject of a successful hostile takeover, and some new directors sued the previous directors, including Dr. Elders, for shoddy lending practices that they said violated federal banking laws.

The suit is now being settled. But Senator Edward M. Kennedy of Massachusetts, chairman of the Senate Labor Committee, which was scheduled to hold the Elders confirmation hearing on Friday, and Senator Nancy Landon Kassebaum of Kansas, the ranking Republican on the panel, agreed that it would be best to postpone the hearing for a week while their staffs reviewed all the documents in the case.

And administration officials disclosed that Dr. Elders has been collecting her salary as Arkansas's health director while getting a \$550-a-day federal consulting fee — for her work preparing for the hearings and for her new job. They also said that her husband had not paid Social Security taxes on household help for his aging mother.

The White House spokeswoman, Dee Dee Myers, said Mr. Clinton was committed to the Elders nomination, which has attracted vigorous opposition from conservatives because of her outspoken support for abortion rights, condom distribution to teenagers and early sex education.

Officials also said the White House was satisfied with her explanation for the new ethical issues. Dr. Elders has said that she was collecting accumulated vacation pay while working in Washington and

that she was not involved in the financial arrangements made for her mother-in-law's care.

On Friday, the White House expressed "unqualified" support for the nominee, saying the issue would not rest the questions being raised. "She's a very worthy nominee and in each instance I think the facts can be well stated in her favor," said the communications director, Mark Gerson. "The committee wanted time to review that, and that's perfectly appropriate. The president's support of her and her nomination to be the surgeon general is unequivocal." (NYT)

House Cuts Refugee Aid Funds

WASHINGTON — At a time when the number of refugees worldwide has soared to record levels, the House has cut the funds the United States can spend on emergency refugee relief from \$49 million to \$19 million, recommending that most of the difference be used to help Israel settle Jewish immigrants.

The change in the foreign-aid bill was made last month over the objections of the Clinton administration and has drawn an angry response from refugee advocates, who note that it would shift money to Israel at a time when the number of Soviet immigrants has dramatically declined.

"I don't have an objection to being supportive of integrating people into Israel," said Roger Winter, director of the U.S. Committee for Refugees, a private refugee-advocacy group. "I do have an objection when it comes at a cost to other refugees, particularly those in emergency circumstances. That cost is too high." (NYT)

Quote / Unquote

Leon E. Panetta, director of the Office of Management and Budget, reporting that this year's federal deficit would be \$282 billion, substantially less than the forecast made by the administration in April: "We've still got a hell of a big deficit." (AP)

Floods Worsen as Rivers Merge in Heavy Rain

The Associated Press

ST. LOUIS — The Missouri River broke through a levee Friday and converged with the Mississippi River on a narrow peninsula north of St. Louis. Officials were sending in military trucks to rescue people who had defied evacuation orders.

Drenching thunderstorms on Thursday and Friday caused the Mississippi and Missouri rivers, swollen for more than a month, to begin mixing 20 miles upstream from where they normally meet.

New flooding also hit the northern part of the rivers. As much as 7 inches (about 18 centimeters) of rain pounded a swath of North Dakota and Minnesota overnight, sending the Red River coursing through Fargo, North Dakota. Strong thunderstorms were forecast for that area Friday.

In Missouri, major levee breaks were discovered about 4 miles north of St. Charles. The breaks came soon after the Missouri began spilling over a 100-foot (about 30 meters) section of the levee just north of St. Charles city. Weeks of flooding had sent Mississippi backwaters nine miles inland to the back of the levee.

Major flooding was expected on the peninsula, which is largely farmland. Most of St. Charles city, population 55,000, is on higher ground and was not expected to be flooded.

Weeks of rain in the Midwest have overwhelmed the Mississippi and its tributaries. The flooding



Ben Beech, 13, of Chariton, Iowa, a member of the Amish church, helping to sandbag a water plant near Des Moines, Iowa. He came with his father and uncles because he "wanted to help out," he said.

in North Dakota, the National Weather Service reported seven

inches of rain overnight at Lake Ashubula, up the Shevonne River from Valley City, which is 40 miles west of Fargo.

into homes and Dakota Hospital.

"We have ourselves a real lollapalooza of a problem here," said Fargo's mayor, Jon Lindgren. Fargo officials asked the town's 75,000 residents not to use any water until further notice.

To the west, Bismarck, Mandan and Jamestown in North Dakota were cleaning up from a deluge that closed dozens of streets and roads. Bismarck reported 4.5 inches at 11:30 P.M., setting a record for a 24-hour period. Mandan reported 5.3 inches during the same time.

President Bill Clinton plans to meet in St. Louis this weekend with governors from the flood-stricken states. He stopped in Des Moines, Iowa, on Wednesday to announce \$2.48 billion emergency aid request for the region.

Mr. Clinton said he could ask Congress for more but warned the people should not expect the government to pay for all their losses.

Platoons of volunteers kept the back-breaking task of filling and stacking sandbags to keep rivers at bay.

The Mississippi surpassed the 1973 record height of 43.23 feet at St. Louis on Thursday and kept rising, with an expected crest of 45.5 feet Monday.

The Missouri, which normally parallels the Mississippi for about 15 miles before they meet north of St. Louis, is expected to crest at 37 feet Saturday.

Confession Tied Iran to N.Y. Bomb, Egypt Aide Says

By Chris Hedges

CAIRO — The chief foreign policy adviser to President Hosni Mubarak of Egypt has outlined for the first time the contents of a confession given to Egyptian authorities by a suspect in the World Trade Center bombing in New York.

The adviser, Dr. Osama Baz, said that the suspect, Mahmud Abouhalima, had told Egyptian officials that the bombing plan was hatched in Afghanistan among former Arab veterans of the war, and was approved by men who described themselves as Iranian intelligence agents in Peshawar, northern Pakistan, and by Sheikh Omar Abdel Rahman.

Mr. Baz, one of Egypt's most influential government officials, made the statement in a meeting Thursday with foreign journalists. He said many points in the confession were confirmed by Egyptian intelligence sources and passed on to U.S. officials.

Whether Mr. Abouhalima made the statements in his confession or whether they are true could not be immediately confirmed by FBI officials, although one American law enforcement official said in May that, based on his knowledge of the confession, he believed Mr. Abouhalima never said that Sheikh Abdel Rahman was involved.

Egyptian officials might have reason to accuse Iran because they are involved in a bitter vocal campaign against the Tehran government, saying that it supports militant movements in the region and is trying to undermine Arab states that have close ties to the West.

In addition, Mr. Abouhalima, who was held for 10 days in Egypt in March and then turned over to FBI officials, said in May that he gave the confession under torture and that whatever he said was not true. An FBI doctor who examined Mr. Abouhalima on his return to the United States found bruises and burn marks.

But Mr. Baz said: "The information we passed to the American authorities represents the best of our knowledge, so far as we are able to gather facts and material from different sources."

The account that Mr. Baz confirmed came from another Egyptian official, who insisted on anonymity. The official did not say when the meetings in Peshawar took place but said that Mr. Abouhalima told them that two Persian language speakers, who said they were from Iranian intelligence, showed up to approve the plan.

Mr. Baz also confirmed an account from the same Egyptian official that, in his confession, Mr. Abouhalima said Sheikh Abdel Rahman was told of the bombing plans and approved them. Sheikh Abdel Rahman entered the United States several years ago, preaching at a Jersey City mosque, and many suspects in the trade center bombing have been identified as his followers. Although the cleric has not been charged with involvement in

the blast, he is under detention by U.S. immigration authorities and Egypt has asked for his extradition.

Mr. Abouhalima said in his confession, as outlined by Egyptian officials, that the plotters were able to draw on funds collected by the Islamic Group, an underground organization that advocates the overthrow of the Egyptian government. He described himself as a member of the group, which he said got money from various sources, including Iranian businesses and organizations in Europe, Islamic institutions in Saudi Arabia, and the German offices of the Muslim Brotherhood, a fundamentalist organization with branches throughout the Arab world and beyond.

Mr. Abouhalima said to have told interrogators that the bombing was carried out to teach the United States a lesson for its meddling in Middle Eastern affairs.

Also, according to Mr. Baz, Mr.

Abouhalima said that two Iraqis showed up in the days before the bombing to assist in the plot and then disappeared shortly before the explosion.

Followers of Sheikh Abdel Rahman in Jersey City have said that just before the bombing, two Iraqis

arrived, were seen with the suspects arrested in the case, and then disappeared.

"There were two Iraqis there," said an Egyptian official. "We do not know who they were, or who they worked for, but they were involved."



VIOLENCE AT AN ABORTION CLINIC — A policeman in White Settlement, Texas, wrestling an abortion foe to the ground after a crowd of protesters against abortion demonstrated at a clinic to prevent a doctor from going into the building. At least 27 protesters were arrested.

Away From Politics

Smokers, drinkers and drug abusers account for one-fifth of the money that Medicaid spends on hospital care, according to a study released by the Columbia University Center on Addiction and Drug Abuse. Based on 1991 statistics, the study found that the \$21.6 billion of Medicaid funds paid for hospital care, \$4.2 billion — just under 20 percent — was for care attributable to such abuse.

A decline in drug use among college students and other young adults that began more than a decade ago has virtually halted amid signs that some of the most popular drugs from the 1960s are making a comeback. Researchers from the University of Michigan said that marijuana appears to be gaining new followers on campuses and that the use of LSD is clearly on the rise.

A retired four-star general was cleared in Tampa, Florida, of charges he conspired to defraud the Pentagon of \$40 million through the sale of shoddy fuses for tank and artillery shells. Six other people were convicted. A federal jury acquitted Wallace Nutting, 65, who was a consultant and a director at Sooner Defense of Florida Inc. and took over as president three weeks before it shut down in 1988.

What may be the mechanism of memory loss in Alzheimer's and other neurodegenerative diseases may have been discovered by researchers at the University of California. The finding potentially opens the door to the development of drugs that can halt memory deterioration in such disorders. The discovery, reported in the journal Science, may also lead to a new understanding of the growth and death of cells during the development of the brain early in life.

Repairing the wings on the C-17 cargo plane will cost more than \$364 million, far more than the \$50 million estimate the Air Force and McDonnell Douglas gave Congress in April, said Representative John Conyers Jr., Democrat of Michigan. "It appears that the subcontracting has been misled by both the Air Force and C-17 prime contractor, McDonnell Douglas, about the costs," he said.

A veteran ranger at Yosemite National Park in California has been shot — the first incident of its kind in the park's 103-year history — touching off a massive search for the assailant and forcing the evacuation of more than 1,000 park visitors.

The New Orleans City Council voted to banish from city streets an commemorating an 1874 uprising of whites against Louisiana's biracial Reconstruction government. The monument has been used as a rallying point by David Duke and the Ku Klux Klan.

WP, NYT, AP, LAT

How to make an international call without Sprint Express.

- Get your hands on some of the local currency. But be aware the large bills won't fit in your tiny American wallet.

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- It's easy to use Sprint Express® 24 hours a day to call a foreign country when you're already in one. Just tell the English-speaking operator how you want the call billed to your Sprint WorldTraveler FÜNCARD™ US, local calling card, or collect to the US. Enjoy your calls, knowing you're paying low international rates. Then, tear out the FÜNCARD found below and keep them handy. Unless you have a lot of time to kill, that is.

- Get some change to use in that interesting-looking phone booth on the corner.

- Dust off your foreign language phrase-book and ka-ka for the paper on "using the telephone." (It's right after how to say "We have lost our luggage" and "Stop thief!")

Though you don't speak the language, try to tell the local operator you want to talk to Sławomir, Poland. (It's hard to guess with help.)

QUICK GERMAN FOR THE TRAVELER

- Look for the number of the party you're trying to call. Get ready to tell them how suave you are and relaxing your trip has been so far.

- Back at the hotel, ask to see your bill. Notice that last night's call to Funafun, Bavaria had cost you a week's pay. Rather than get an ulcer over it, seek some relief and vow to look for a better way next time.

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Westerners Pledge \$100 Million More In Relief to Bosnia

GENEVA — Western donors pledged more than \$100 million on Friday for relief operations in the former Yugoslavia, enough to keep UN aid convoys rolling through Bosnia for the next three months.

The pledges occurred at a meeting of major donor nations at which the UN High Commissioner for Refugees, Sadako Ogata, warned that the "entire relief effort will soon grind to a halt" without extra cash.

Mrs. Ogata said her agency was determined to continue its operations in Bosnia but conceded for the first time that the UN could be forced to pull out of the republic.

"Never have the obstacles and risks been so dreadful and unacceptable as during the last two months," Mrs. Ogata said.

About 40 states and international organizations were represented in the meeting, which included as a routine session of the "humanitarian issues working group" of Geneva's International Conference on Former Yugoslavia.

Apart from discussing the UN funding shortfall for this year, put by Mrs. Ogata at \$195 million, delegates said they expected some debate on the very future of the aid operation.

A UN spokesman, Sylvana Foa, said governments that addressed the opening session had pledged \$10.2 billion for the UN's aid to the refugee share would be \$6.5 billion.

The largest single donation offer came from the European Community, which promised \$3.2 billion, Mrs. Foa said. The Netherlands pledged \$15 million to the agency.

Those pledges were on top of \$26.1 million promised in the two days before Friday's conference.

"It means we will be able to continue fully funded for another three months," Mrs. Foa said.

A senior UN official said the money would also allow the UN to start, although not to complete, its program to prepare Bosnia for coming winter. The agency said "winning" work needed to start in the next few weeks.

Mrs. Ogata, sitting beside the peace envoys, Lord Owen and Thorvald Stoltenberg, denied media speculation that the UN had been using relief deliveries as a "bargaining chip" in peace talks.

According to the reports — based on the accusations of Bosnian Muslim leaders — Mr. Stoltenberg has been warning of a UN



Sadako Ogata, the UN High Commissioner for Refugees, speaking Friday in Geneva to Lord Owen, co-chairman of the peace talks.

Croats and Serbs End Bridge Dispute Accord Puts Link to Dalmatia Under Protection of the UN

ZAGREB, Croatia — Croatia and rebel Serbs on Friday signed an agreement drafted by international mediators to end a new war over a bridge that Croatian authorities plan to open on Sunday, a Croatian government statement said.

The agreement calls for the Maslenica bridge and Zadar airport on the Adriatic coast to be placed under UN protection and closed to both Serbian and Croatian government troops.

Under the accord, Croatian troops must withdraw from territory they captured from the Serbs in a January offensive.

Croatia said the agreement, signed in Zagreb on Friday evening, would allow a temporary bridge to be set up over the Maslenica sea channel and for it to function normally. The Serbs signed the agreement earlier.

The government's decision to open the bridge on Sunday, in full view of Serbian gunners, had prompted shelling of the region over the past few days.

It also had accused Serbs that the 1991 war in Croatia would flare up again.

Croatia asserted that the pontoon bridge, linking Dalmatia to the Croatian mainland, was of imperative economic importance and only for civilian use, and that it could not give up its plans to open.

President Franjo Tudjman, of Croatia, who has come under heavy political pressure to put the bridge in place, is scheduled to preside at the opening ceremony on Sunday.

He has invited the diplomatic community, but the new American ambassador, Peter Galbraith, and most European envoys were expected to stay away either for security or political reasons.

While the negotiations over the bridge went on, Croatian Serbs and the Croatian Army continued an exchange of tank, mortar and artillery fire on their front lines along the Dalmatian coast between Slibenik and Zadar, with two persons reported killed.

Croatian government spokesmen said that the bridge, spanning the narrow Maslenica Strait near Zadar, had been essential for the continuation of UN aid and other

Christopher May Try to Salvage Mideast Talks

By Elaine Sciolino
New York Times Service

WASHINGTON — A senior American delegation has returned home empty-handed after trying to close the gap between Israel and the Palestinians in the stalled Middle East peace talks.

Despite the lack of progress, Secretary of State Warren M. Christopher is said by aides to be leaning toward making a trip to Middle East capitals next week to attempt to restart the talks, which have been heading to Singapore and Australia for a long-scheduled meeting with Asian foreign ministers.

Dennis B. Ross, the new State Department coordinator of the talks, who led the American delegation, reported to Mr. Christopher on Thursday on his weeklong trip to Israel, Egypt, Syria and Jordan, which ended Wednesday night. Mr. Ross told the secretary that the only way for the administration to realize its goal of achieving substantial progress on the talks by the end of the year is for the parties in the region to be made to focus on the key issues, senior officials said.

Mr. Christopher would probably make several trips to the region before the end of the year, between trips by Mr. Ross's group and rounds of Arab-Israeli negotiations at the State Department in Washington, senior U.S. officials said.

Mr. Ross also told Mr. Christopher that he could not measure success or failure in a single trip, or even several trips, pointing out that former Secretary of State James A. Baker 3d forged an agreement that launched the talks 20 months ago only after he made eight trips to the Middle East.

"I don't think anyone expected any type of instant turnaround," said Michael McCurry, a State Department spokesman, in describing Mr. Ross's trip. "But I think that they feel like

MI5: Doffing Cloak

Continued from Page 1

The spying agency has emerged to lead the battle against the Irish Republican Army, fighting to force Britain out of Northern Ireland.

The booklet said MI5 was divided into five intelligence branches and that more than half its personnel were women. A General Intelligence Group, employing 340, is responsible for investigation and the recruitment of agents.

It acknowledged what the general public has known for years — that MI5 is involved in eavesdropping and interception of post and telephone calls. It also conducts surveillance.

Writing in the brochure, Mrs. Rimmington said MI5 would not be involved in investigation of drug traffic or organized crime.

Following the publication of transcripts of telephone conversations involving Prince Charles, Diana and other members of the royal family, there had been speculation that MI5 was involved.

The booklet says the end of the Cold War has reduced the threat of subversion and espionage in Britain.

About 45 percent of its resources are dedicated to countering terrorism by Irish and other organizations. Only 5 percent of its resources are aimed at countering subversion, the booklet said.

(Reuters, AP)

MI5: Doffing Cloak

Continued from Page 1

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(Reuters, AP)

HIJACKER: FBI Traps Palestinian in Nigeria and Flies Him to U.S.

Continued from Page 1

other American woman, Jackie Plug, who had been shot in the head and left for dead on the tarmac for nearly three hours, recovered.

Fifty-eight other passengers of the Egyptian commandos stormed the plane.

According to a report by a House subcommittee, Malta had assured the United States that Mr. Rezaq would remain in prison until 1996. A U.S. official said that in freezing

HIJACKER: FBI Traps Palestinian in Nigeria and Flies Him to U.S.

him in February, Malta had bowed to pressure from Moammar Gadhafi, the Libyan leader. Malta said he had been freed as part of a general amnesty.

The State Department declared it was "shocked and angered" by his release. Shortly afterward, a U.S. court issued a warrant for Mr. Rezaq's arrest.

After leaving prison, Mr. Rezaq sought refuge in Ghana, which once had cool relations with the United States. But in recent years

HIJACKER: FBI Traps Palestinian in Nigeria and Flies Him to U.S.

At his trial in Malta, Mr. Rezaq, a Palestinian from Lebanon, acknowledged having killed the two women. He testified that he had intended to refuel the Boeing 737 in Malta. The Maltese refused to give the hijackers fuel unless they released the passengers.

Enraged, the hijackers separated Jewish and American passengers from others and forced the two women to the doorway of the plane. Five passengers were shot and two of them died.

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In Japan's Political Grind, Family Ties Count for Votes

By James Sterngold
New York Times Service

TOKYO — Like more than 900 other Japanese politicians, Asahiko Mihara has spent the last two weeks exhaustively crisscrossing the district he hopes to represent in parliament after Sunday's election, but he admits he enjoys an advantage that is all but unassailable. It is not his policies, his charisma or even his money raising abilities; it is his father, who held the seat before him.

In this critical election, the principal issue is the discredited state of the Liberal Democratic Party after five years of scandal and whether it will lose its majority. Nearly all the candidates, whether Liberal Democrats or not, are running on platforms of breaking with the past. But there is one peculiar, if highly influential institution that is likely to survive all this turmoil intact: most expect the parliament to remain dominated by what are known as *nieki*, the children or close relatives of politicians. In Japanese elections, destiny plays as much of a role as policy.

"It's not fair for other politicians, but it costs us less because we can use our fathers' names," said Mr. Mihara, who is running in the family's district in Fukuoka, in western Japan. "If someone new wants to run against me, he is going to have a heck of a time."

Added Kenji Kosaka, who is running for a second term in a seat in Nagano Prefecture that has been in his family for four generations, "I just mention my name and people say, 'I know your father and I

knew your grandfather. Come in Japanese like brand names."

A total of 45.5 percent of the Liberal Democratic majority elected three years ago to the lower house of the parliament are *nieki*, which literally means second generation, and a similar percentage is likely to be returned to office, according to various polls. There are also opposition *nieki*, so that 29 percent of the 512 members of parliament have inherited their seats.

Prime Minister Kiichi Miyazawa is the son and grandson of prominent politicians, and 10 of the 21 members of his cabinet are *nieki*. The percentage is similar for the parties that have been formed in the past month by Liberal Democratic defectors, the *Tenmei* Hata, who helped trigger the current crisis by forming a conservative splinter party, and his chief lieutenant, Ichiro Ozawa, are *nieki*.

Etsu Sadao Yamahana, the head of the Socialists, Japan's largest opposition party, "inherited" his seat. "We are totally handicapped when we run against them," complained Takaaki Koga, a 40-year-old member of the Yamaguchi Prefecture assembly who is running against a *nieki*. "We run the entire marathon with all our energy and still do not know whether or not we will finish. The *nieki* start 2 or 3 kilometers from the finish and then just walk across the line."

The *nieki* phenomenon speaks volumes about the underlying values of a society that likes to think of itself as a meritocracy. After having been run by an aristocracy for centuries, and to a lesser extent in the years leading up to World War II,

Japan sought to free itself from its feudal past after the war by installing a new elite chosen on the basis of rigorous tests and ability. Young Japanese are still told that hard work and brains will be rewarded fairly.

But over the years reality has diverged further and further from the ideal as the new aristocracy became more entrenched. The same is also true in the powerful government bureaucracy, and even at the training ground of the elite, Tokyo University, showing the strength of blood lines beneath Japan's egalitarian facade.

"This is a threat to real democracy," said Susumu Saito, who is making a second run for a seat in Shimizu Prefecture, near Mount Fuji, against two *nieki* opponents. "It makes the system so rigid."

Taichi Ichikawa, a professor at Hiroshima Shudo University, has studied the *nieki* phenomenon and said that while name recognition is important, there is a deeper and more revealing reason for the success of the *nieki*.

Politicians here form what are called *koenkai*, or support groups, that act as links to the local constituents. They become the conduits for favors and patronage. The *koenkai*, which generally represent one favored faction of the local business establishment, delivers money and votes, and in return the politicians deliver regulatory approvals, business licenses and public works projects. It is a remarkably stable relationship.

What politicians pass on to their sons are not really their seats, but the *koenkai*, which grow stronger the longer the politicians stay in office. The *koenkai* need politicians who will continue to favor their senior members. The son of a long-time member of parliament is someone whom they usually can trust to preserve this relationship and uphold the complex web of obligations that has been built up over the years.

Link of Homosexuality to Gene Splits Activists

By Natalie Angier
New York Times Service

NEW YORK — Homosexual groups were divided in their reaction Friday to a new study that links male homosexuality to a small region of one human chromosome.

"We think this study is very important," said Gregory J. King, a spokesman for the Human Rights Campaign Fund in Washington, the largest national gay lobbying group. "Fundamentally it increases our understanding of the origins of sexual orientation, and at the same time we believe it will help increase public support for lesbian and gay rights."

In addition, if homosexuality is shown to be largely inborn, a number of legal experts say, then policies that in any way discriminate against homosexuals are likely to be shot down in the courts.

Not all gay-rights leaders have a sanguine view of the work. Some denounce it as yet another attempt to draw a reductionist and implausible line between homosexuality and heterosexuality, while others see in it the dangers of attempts to "fix" homosexuality, perhaps through gene therapy.

"I don't think it's an interesting study," said Darrell Yates Rist of the Gay and Lesbian Alliance Against Defamation. "Intentionally, what do we gain by finding out there's a homosexual gene? Nothing, except an attempt to identify those people who have it and then open them up to all sorts of experimentation to change them."

The politically explosive study pushes research into the origins of sexual orientation into a new and perhaps more scientifically rigorous phase.

The results have yet to be confirmed by other laboratories, and the chromosomal region implicated, if it holds up under further

scrutiny, is almost surely just a single chapter in the intricate story of sexual orientation and behavior. Nevertheless, scientists said the work suggests that one or several genes located on the bottom half of the sausage-shaped X chromosome may play a role in predisposing some men toward homosexuality.

The findings, which appeared Friday in the journal *Science*, indicate that sexual orientation of men is at least partly inborn, rather than being solely a matter of choice. But researchers warn against overinterpreting the work, and in taking it to mean anything as simplistic as that the "gay gene" had been found.

The researchers emphasized that they do not yet have a gene isolated, but merely know the rough location of where the gene or genes may sit amid the vast writer of human DNA. Until they have the gene proper, scientists

said they had no way of knowing how it contributes to sexual orientation, how many people carry it, or how many of the carriers are likely to become gay as a result.

"Sexual orientation is too complex to be determined by a single gene," said Dr. Dean H. Hamer of the National Cancer Institute in Bethesda, Maryland, the lead author of the report. "The main value of this work is that it opens a window into understanding how genes, the brain and the environment interact to mold human behavior."

In the new work, the scientists studied the genetic material from 40 pairs of gay brothers and found that in 33 of the pairs, the brothers had identical pieces of the end tip of the X chromosome. Under ordinary circumstances ruled by chance alone, only half of the pairs should have shared that chromosomal neighborhood

in common, a region designated Xq28. The odds of Dr. Hamer's results turning up randomly are less than half a percent, indicating that the chromosomal tip likely harbors a genetic sequence linked to the onset of the brothers' homosexuality.

In men, the X chromosome pairs with the Y chromosome to form the so-called sex chromosomes, the final set of the 23 pairs of chromosomes found in all cells of the human body. A man's X chromosome is always inherited from the mother, who bestows on her son a reshuffled version of one of her two copies of the X chromosome. The latest results indicate that the newly reported genetic factor is passed through the maternal line.

The gene could work by directly influencing sexual proclivity, perhaps by shaping parts of the brain that orchestrate sexual be-

havior. Or it might affect temperament in a way that predisposes a boy toward homosexuality.

The study appears in the same journal that two years ago unleashed a furious debate when it published a report asserting that there was an anatomical difference between the brains of gay and heterosexual men. Other recent reports have also weighed in on the possible biological basis of homosexuality in both men and women, and all have been subjected to volleys of scientific and political attack.

Other attempts to make a genetic link to behavior, like alcoholism, manic depression and schizophrenia, have all been disappointing. By contrast, the study published Friday is considered to be impressive science even by many who denounced the previous studies.

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COLONY: Chinese Army Plans

Continued from Page 1

Liaison Group negotiating sessions. Several of these properties are located on prime business and residential land.

"I am not responsible for where exactly the PLA is stationed after 1997," said Hong Kong's governor, Chris Patten, of the surprise statement in Beijing. "As you know it is being discussed by the Joint Liaison Group. I think it will be resolved."

RUI the liaison group has been deadlocked on the issue. China repeatedly has voiced its displeasure at British plans to turn military headquarters, located in the Central business district of Hong Kong island, over to commercial development.

"In the past, the only reason British troops were stationed in Hong Kong was to discourage invasion from China," said Martin Lee, a Hong Kong legislative councilor and leader of the United Democrats Party. "Clearly, after 1997 we will not have that need."

"I urge China to reconsider this decision because of the effect it will have on the morale of Hong Kong citizens," Mr. Lee said.

More than a million Hong Kong residents took to the streets in a public protest against Beijing's army-led crushing of pro-democracy demonstrations throughout China on June 4, 1989.

"China's position seems to be an

expression of its power and its sovereignty," said another legislative councilor, Christine Loh. "I would certainly hope the PLA takes a low profile as the British forces have on principle."

The leader of Hong Kong's conservative Liberal Party, Allen Lee, echoed his political rivals' concerns, saying the move could have "bad psychological effects," according to a Reuters report.

Reuters also quoted an unnamed Chinese source as again linking an agreement on building a new airport, worth \$2.5 billion, to Mr. Patten's dropping of his plans to introduce more democracy in the colony before 1997.

Hong Kong businessmen are already worried that China's efforts to cool its overheating economy will slow the colony's own economic boom. Their fears gained ground after comments from a senior Beijing economic official who said that the effects of a clampdown on investment designed to counter inflation and rein in an economy now growing at 14 percent could have unwelcome consequences for Hong Kong.

Yu Xiaosong, vice minister of the State Economic and Trade Commission, said that a 16-point action plan for slowing economic growth, instituted this month, would inevitably slow mainland Chinese investment in Hong Kong.

Mr. Yu said frenzied speculation by Chinese groups in the colony's stock and real estate markets would be curbed.

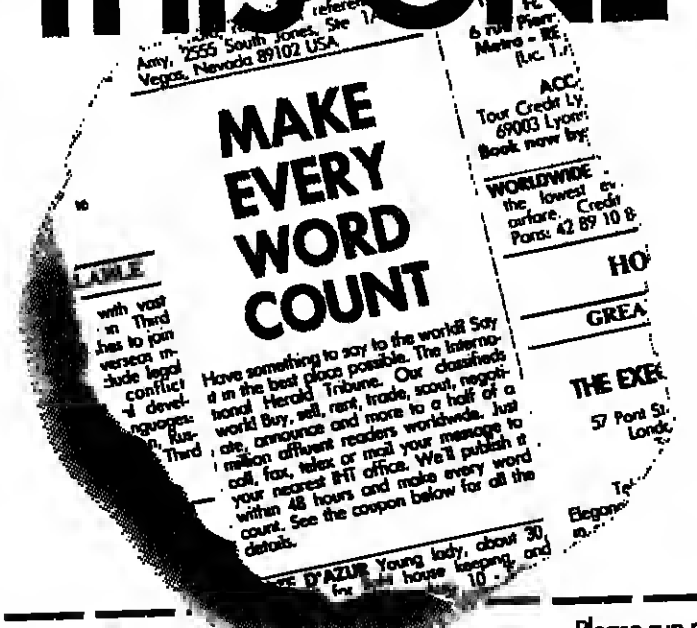
"China is a developing economy that should try to retain its capital," Reuters quoted Mr. Yu as saying.

Any repatriation of mainland capital, whether forced by regulation or because of economic difficulties at home, is feared in Hong Kong because both markets' steep rises are widely believed to be fueled by Chinese money seeking a refuge from high inflation and currency depreciation at home.

French Blast Kills Worker
Reuters

PARIS — An explosion Friday at a lead and zinc factory in northern France killed one worker and injured eight, officials said. The blast occurred at the Noyelles-Godault plant eight kilometers (five miles) from the town of Lens.

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OPINION

Herald International Tribune

Published With The New York Times and The Washington Post

Beijing Olympics in 2004?

A resolution has been introduced in both houses of the U.S. Congress to oppose Communist China's bid to put on the 2000 Olympic Games because of its human rights record.

economic system while keeping the political system closed. Human rights violations, of which the Beijing massacre of 1989 is but the best known, are a natural, continuing and simply documented result.

Time for Change on Cuba

Bill Clinton would risk little, and could gain a good deal, by removing America's Cuba policy from its Cold War freezer.

Canadian resellers are not only illegal but morally reprehensible. In other words, it's O.K. for Washington to wage economic war, but for Havana to defend itself is wrong.

The Fish Channel

A cable television channel in Columbia, South Carolina, devotes 14 hours a day to a telecast of tropical fish swimming around in a nicely furnished and well-maintained tank at a local pet store.

aries to the appeal of an aquarium filled with exotic and colorful life forms. Even more than the crackling fireplace that some big-city stations run on a continuous videotape in winter, an aquarium in a dimly lit room is universally soothing effect — especially when you are not the one who has to worry about maintaining the proper mix of oxygen, water temperature, food and pH balance, or whatever it is that is needed to keep its denizens from going belly up on you.

Other Comment

Get On With It in Somalia

The United Nations, in many people's view, landed itself — and four foreign journalists and a lot of dead Somalis — in a bloody mess in Mogadishu (this past week). It did. But that was just where it should have landed itself.

whom no one should, or usually does, want to kill; but such people will get killed, and in some number when the fighting takes place in towns. The United Nations cannot simply ignore these people's suffering. It cannot ignore public opinion. But these should not deter it from the restoration of order — which means disarming bandits — that offers the only durable future for Somalia's civilians.

India Belongs in the UN Security Council

By S. Nihal Singh

NEW DELHI — Germany and Japan will become permanent members of the United Nations Security Council with American benediction in the not too distant future. This is as it should be. But if the reform of the key UN organ stops at that, the world organization will not have the moral authority to impose its decisions.

preeminence in the United Nations is no secret. Russia is too preoccupied with its transition and too dependent on the West to flex its muscles, while China has given primacy to economic development and has chosen to play a low-key role.

open a Pandora's box. Some others buy this argument. They say it would be difficult to limit the field to India, since there are other claimants such as Brazil and Nigeria.

For Better Domestic Politics of Interdependence

By Flora Lewis

DUSSELDORF — Early this year, the American economist Fred Bergsten was asked how much a GATT trade agreement would contribute to lifting the world's queasy economy. "Not much," he said.

semipermanent demands for more protection for specific weak sectors — steel, textiles, food and fodder — to challenge the very idea of enlarging the global market.

of the early industrial period. It took so long, with so much pain and bargaining power as a necessary, rightful component of the modern capitalist system.

Politicians have to explain that interdependence is real, and accept the duty to guide change for common benefit.

sense that they were not doing their job of pulling together to revive growth and free trade. Half a year later, President Bill Clinton has managed to perk up the Group of Seven a bit in Tokyo with some cosmetics to look less moribund. But still nothing decisive has happened.

Since the weak and cautious G-7 leaders have failed to make a concerted effort to revive general growth, voices rise with demands for local pump priming, even though that means inflation, competitive devaluations, currency volatility. Just when the principle of the free market has been re-sanctified by the collapse of communism, the older, mercantilist urge to make trade serve special national advantage is regaining support.

of the idea, about taking unfair advantage of very low wages and low or no fringe benefits to flood economies where labor has been so hard-headed about the point at which manufacturers take unfair advantage of their capacity to unload excess production on foreign markets at devastating cut-price prices. Defining it concretely is always controversial, but in the abstract it is a nasty way to drive competitors out of business.

Impose Sanctions on Croatia Despite the Refugees

By Stephen S. Rosenfeld

WASHINGTON — The refugee crisis in Croatia is a frightful. To see the pictures and read the figures is enough to bring tears of sympathy. This little shard of the former Yugoslavia houses a quarter-million Croats ousted from their homes elsewhere in Croatia by Serbs, and another quarter-million refugees (most of them Muslims) from Bosnia and some from Serbia, too. That adds up to a crushing 12 percent of the Croatian population in a never-rich, hard-hit country whose principal industry, tourism, has been shredded by war.

is a victim of Serbian depredations in Croatia. But it is a perpetrator of its own depredations in Bosnia. This is what counts most.

limited leverage in a way that will have the sharpest effect.

The Last Governor Remains Upbeat

By Anthony Lewis

HONG KONG — "What's made Hong Kong what it is, Chris Patten said, 'is the magic combination of Chinese entrepreneurialism and the rule of law. And the rule of law is not just about judges in court. It's about a free press and an independent judiciary.'"

The Chinese government reacted as if war had been declared. It denounced the proposals as violations of the 1984 Joint Declaration, and got personal about Chris Patten. Beijing voices called him a prostitute, and worse.

It is said that Serbia and, if it too were targeted, Croatia are more likely to rally in a nationalistic spirit against sanctions than to head a movement that would be more effective than any other.

International Herald Tribune advertisement listing contact information for the New York, London, and Paris offices, including names like Katharine Graham and Arthur Ochs Sulzberger.

Advertisement for 'The Last Governor Remains Upbeat' by Anthony Lewis, featuring a quote about the rule of law in Hong Kong.

Historical sidebar titled 'IN OUR PAGES: 100, 75 AND 50 YEARS AGO' containing three short articles: '1893: Immigrant Ship', '1943: Die for Mussolini?', and '1918: Sammy and Poilu'.

ART

Old Masters' Sales Rejuvenate Market

LONDON — There are times in art as in medicine when a critical mass is attained, setting off a chain of reactions. It happened twice in the last few days with Old Master paintings.

The conjunction of some stunning pictures in selling exhibitions put up by the London art trade and sales with better works than usual in the auction rooms suddenly gave the field a new impetus. It reminded hitherto reluctant buyers that great art is still floating around.

The impact made by Agnew's show, on view at 45 Old Bond Street until the first week of August, cannot be overestimated. Collectors and dealers alike were jolted out of their slumber by the appearance of a major Rubens, "The Holy Family With the Infant John the Baptist," not seen in public since 1948.

A recent cleaning and X-ray examination revealing numerous spontaneous corrections, during execution prove that it is entirely from the master's hand, a particularly sensitive point concerning Rubens. The Virgin's features are, as usual, those of the artist's wife. Seated under a drapery floating under the branches of a tree added as an afterthought, she is lost in reverie. A heavy infant Saint John clutches the leg of Jesus. Despite the proclaimed intention, there is not much religious feeling to it. Nothing seems further removed from the lush world of Rubens.

A \$12 million price tag attached to the picture is not such a large figure when measured by the standards of Impressionist and Modern Masters. Its public disclosure and the confidence in the market that this implies is an event in itself.

Other works easily compete with the Rubens for sheer beauty. Aelbert Cuyp's "View of Dordrecht With a Beacon" stands close to the top within the Dutch landscape painter's oeuvre. The pale sun haze above the river bank already stepped in late afternoon shadow, the dark steely reflections in the water, capture a moment of stillness in golden light contemplated by tiny figures. This is the ultimate in Dutch landscape painting.

Most astonishing perhaps is to find here for sale one of Constable's greatest landscapes, which was the discovery of the memorable 1991 Constable show. "The Wheatfield" was painted in August 1815, out in the fields, long before Corot and the Barbizon school advocated the method. It is

an unusual Constable, with a jewel-like finish, and a composition as unconventional as it is subtle with its tiny silhouettes along a path.

A rare painting by the admirable Richard Wilson, little known outside British and U.S. collecting circles, has not been exhibited in the West since 1852 (oddly, it traveled in Japan last year). The arcadian landscape was painted by the artist during his stay in Italy in 1733-34. Rodney Merington, one of the Agnew directors, notes in the catalogue entry that Wilson was already imbued with European Classicism as represented by Claude.

But if Claude's emphasis was on carefully balanced detail, Wilson's was on the balance of light and shadow. A deeply poetic feel for nature comes out in the simplified composition. The handling of blackish green foliage setting off the golden traces of another tree further away, makes "Acqua Aostese" a rare masterpiece, romantic in feeling, classical in its restraint.

ADD one of the most beautiful Francesco Guardi anywhere, "San Cristoforo in Mirano," with a view of a now vanished Romanesque church, offered as one of a \$6 million pair. Thrown in a great sketch in oil on paper by Gainsborough, with that brevity and sensitive perception of atmospheric effects found in the studies from nature that he painted for himself. Consider for good measure, one of Peter de Wint's greatest watercolors in the artist's impressionistic manner of his late years, around 1850, priced at \$48,000, and the Agnew's selling exhibition is one of those shows that long linger in the viewer's mind.

Next door at 41 Old Bond Street, Noortman added a more modest contribution until Friday. The Pieter de Hooch scene of

1658 that sold for \$4.4 million at Christie's last December was there. Despite its recent appearance at auction, it sold again at an unimpaired price. There could be no clearer indication of a revitalized market. And it is not confined to museum wares. A tiny still life of flowers in a vase by Ambrosius Bosschaert, only 9 1/8 inches high, was sold for around \$500,000 (about \$750,000), according to John Whately, the managing director of Noortman (London). Other quality works were, and still are, there. Buyers like to take their time these days.

Ironically, the sight of the gems at Agnew's of some fine works at Noortman, Colnaghi and elsewhere created the atmosphere that boosted the auctions.

Nothing much happened at Sotheby's on July 7 when the offerings were meager, but at Christie's on July 9, there were just enough good pictures to turn the season, in which sales totaled \$15.5 million, into a success. Every painting worth buying found a niche.

It was a most remarkable performance because the pictures that got through were attractive but not unimpeachable and these are precisely the most exposed wares in times of gloom, particularly when bills run up to \$1 million or more.

An indication of a happier mood than expected came early on in the sale when a composition by the strange Melchior de Hondecoeter, who painted a fantasy world peopled with birds rendered in accurate naturalistic detail, came up. This was a first-class work with the perfect surreal touch in a subtle setting that is not just the usual caged bird backdrop of vegetation. When sold in New York on June 12, 1981, at the outbreak of the previous market slump, it had made \$309,000. This time the pelican, the crowned crane, the red-breasted goose and the rest cracked their way up to \$231,500.

An urban view by the equally curious Jan van der Heyden, who gives his scenes set in real Dutch cities the feel of a theatrical stage with tiny characters in a beautiful lighting waiting for the action to get under way, climbed to \$251,500, paid by a German collector.

Dealers who had been holding

back for months joined the fray. Konrad Bernheimer of London and Munich, in partnership with Bruno Meissner of Zurich, paid, again, \$551,500 to get one of the largest existing landscapes by Paul Brill. The nymphs bathing in a pool at art of the Diana and Actaeon theme are from another hand, which has been the object of much speculation in the last 200 years, ranging from Carracci to Giuseppe Cesari, alias the Cavaliere d'Arpino.

A HIGHLY detailed view of Rome showing monuments since altered by Gaspar van Wint, known as Vanvitelli, vastly exceeded the high estimate at \$775,500. Done in the first 10 years of the 18th century, it is the work of the artist considered to be the true founder of the Vedutisti school, famous for its later Venetian developments. It culminated with a Canaletto Venetian view selling for \$711,000, followed by three Antonio Joli panoramic views of Rome, Madrid and London, all going for very high prices even though other versions are known.

As with Dutch painting, the sustained interest in townscapes related to a definite trend, steeped not just in aesthetics but in a

broader yearning for the vanished past. That trends should once again be perceptible is further confirmation of a born-again market.



Rubens's "Holy Family" is on sale for \$12 million.

broader yearning for the vanished past. That trends should once again be perceptible is further confirmation of a born-again market.

It can only gather momentum where Old Masters are concerned. It is indeed becoming clear, as was the case with Impressionism in the 1970s, that the historical phase in which great works are still at hand will come to a close in the foreseeable future, say 10 to 20 years at the most. This gives a sense of greater urgency. Museums are the first to respond, partly because it is always easier to spend money that involves no personal risk.

On Wednesday at Sotheby's, the Tate Gallery and Gainsborough's House, Sudbury, united forces to purchase for £1,079,500 an early Gainsborough conversation piece that had always remained with the descendants of one of three of Gainsborough's friends and patrons seen in the picture. That same day, the National Portrait Gallery acquired a portrait of Mary II, Princess of Orange, at a more modest \$54,300. In both cases, the incentive was the same — history. There is nothing like it to set in perspective and dispel a passing fit of gloom.

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It would take a novelist to do justice to the foibles of the rich and shameless. But the future of couture lies not with its elitist clientele, but with the luxury conglomerates who finance the shows. And ultimately the current fall in the sales of Champagne and the currency crisis of the French franc will have more significance in the high fashion world than the rise and fall of hemlines.

FASHION

Couture: Down but Not Out It Picks Up Bouquets From High-Profile Weddings

By Suzy Menkes International Herald Tribune

PARIS — Couture may be down on its luck and short of a buck, but there is life in the old girl yet. The high fashion season that opens Saturday welcomes two new names — Maurizio Galante and Luisa Beccaria, both from Rome couture and both claiming to address a new, young clientele.

They balance the bad news: Lanvin's new boss, Loic Armand, has closed the firm's couture ateliers in an attempt to stem its losses, 130 million francs in 1992; the Bie group would be happy to sell Guy Laroche, and Yves Saint Laurent is under legal threat about alleged insider dealing in the company's shares and about the naming of its new perfume "Champagne."

Yet couture has registered a surprisingly successful summer season. "We have had an exceptional season and we are seeing more and more young clients whom we introduce to haute couture and give them a taste for it," says Catherine Riviere, Chanel's couture directrice. One of those clients is Princess Diana, 32, who has just taken delivery of two outfits.

The marriage Thursday of Claude Montana and model Walfis Francken is a fitting tribute to haute couture, even if Montana's working relationship with Lanvin ended in divorce. Several fashion houses have saved this summer by marriages à la mode. High-profile weddings include the society marriage last week of the Count of Uzès with the Italian Alessandra Passerin d'Entrèves. (Gianfranco Ferré of Dior made the bridal gown out of 40 meters of silk organza and 50 meters of tulle.) For the ball to celebrate the union of the Crown Prince of Liechtenstein and Sophie of Bavaria, the bride wore a pink-and-white-flowered and caudly-striped gown by Jacques Fath (the subject of a retrospective at the Palais Galliera).

Emanuel Ungaro's pink-and-white-flowered gown (with sugar pink hair and mother Barbara Cartland dressed to match) was the choice for the third marriage of 63-year-old Countess Raine Spencer, stepmother of Princess Diana. The British tabs had a field day with the Emanuel Ungaro dress, claiming that the countess posed for Paris-Match in the cambic toilet, bristling with pins, because she got the dress for free. Spencer cleared her favorite designer Erik Mortensen (formerly with Balmain, now with Jean-Louis Scherrer), who has consoled himself by making a wardrobe for Queen Sirikit of Thailand.

At Balmain, Oscar de la Renta has had a triumph by making, as he puts it, "clothes that real women want to wear." Balmain sold 100 pieces from his first collection and Parisians are betting that he will net the new American ambassador, Pamela Harriman.

Offstage and off camera, young and glamorous women are drawn to haute couture — with Beccaria, who shows Wednesday, dressing the gilded youth of her own aristocratic Italian circle (she is married to a Sicilian prince).

Clients for Paris couture come rather from the world of shiny hotels and Swiss bank accounts. Deep off the record, one Avenue Montaigne courier laments the tale of dressing a mob wedding last spring in which the young couple had never met — and he was asked to double the lace veil and cover it and the train with embroidery (24 meters, cost \$120,000) so that the bridegroom could not see what he got.

A different Avenue Montaigne courier tells of the Marie Antoinette dress in pale blue duchess satin he created for a client for whom only hiring Versailles was good enough for her son's bar mitzvah.

The drama of Paris couture is that it is trying to keep up a high wire act: presenting a collection of discreet luxury that fits the politically correct climate in strained times; and servicing a clientele who, as Christian



Gianfranco Ferré's Dior wedding gown for the new Countess d'Uzès.

Lacroix says about wedding dresses, want "more and more" a personal service and an individual design. Mortensen spells out the problem when he says: "I have a feeling for embroideries of dew drops sparkling under fallen leaves — but there is no couture client in the world who wants to wear dead foliage."

So how to generate a collection that brings maximum publicity when the real clients seldom sit front row? (Even Anne Bass is passing up the shows in favor of learning French). The recent trick of hiring a movie or rock star is becoming problematical, as they show no brand loyalty and sell themselves to a higher bidder.

A lofty way of promoting haute couture is as an investment to rank alongside works of art. The auction houses are pushing the idea of couture, with mixed results. On June 8 Drouot Richelieu held an auction of dresses entitled Modernité d'Hier (The Modernity of Yesterday), starring Vionnet and Chanel and pushing prices up to 10,000 francs. The first annual sale of couture — from the wardrobe of opera singer Marian Anderson — will be held in New York in September at William Doyle galleries.

But there was also a spectacular flop this summer, when Hubert le Blanc put up for sale on June 8 some of the most sumptuous couture outfits of the 1930s. They belonged to one of Paris couture's biggest spending clients, divorced by her millionaire German husband after an indiscreet liaison. So much for making a quick buck. Yves Saint Laurent's Mondrian-inspired suit, dresses from Dior and Lacroix that had cost millions all went under the hammer for a few thousand francs.

It would take a novelist to do justice to the foibles of the rich and shameless. But the future of couture lies not with its elitist clientele, but with the luxury conglomerates who finance the shows. And ultimately the current fall in the sales of Champagne and the currency crisis of the French franc will have more significance in the high fashion world than the rise and fall of hemlines.

A Rare View of an Indecisive Michelangelo

By Ken Shulman

FLORENCE — No Renaissance or baroque artist, and few artists of the current photo-opportunity, soundbite-intoxicated century, were as able and agile in creating a lasting image for themselves as Michelangelo Buonarroti. The painter of the Sistine Chapel and the sculptor of David and Moses consciously cast a mythic shadow that would elevate his stature during his lifetime and perpetuate his monumental memory after his death.

Toward this end, his friend and biographer Giorgio Vasari wrote, the 69-year-old ailing artist wanted to leave "a great number of drawings, sketches, and cartoons done in his hand, so that no one would be witness to his struggle to express his genius, so as not to appear anything less than perfect." Quite simply, Michelangelo did not want to leave traces of his fallibility for posterity.

Michelangelo did burn some of his works and probably on more than one occasion. As a consequence, the artist's drawings are extremely rare, and the extraordinary interest generated by the July 6 auction of "The Holy Family at Rest" during the Flight from Egypt at Christie's is testimony to their extraordinary appeal.

In the 16th and 17th centuries, it was still possible to purchase Michelangelo's drawings on the Roman market. And due to the active collecting of his Florentine heirs, and particularly the efforts of his



Michelangelo nude study.

great-nephew, Michelangelo Buonarroti the Younger, the Casa Buonarroti Museum in Florence now possesses the world's most extensive collection of Michelangelo drawings, 205 works in all. Now 18 of museum's drawings, drawings that have not been exhib-

ited for at least 40 years and that span the seven decades of the artist's prolific career, have been put on display in a contained but intriguing monographical exhibit.

The Casa Buonarroti show blends preparatory drawings for paintings, architectural sketches, cartoons, and one finished presentation drawing to provide a relatively complete survey of Michelangelo's graphic activity. And it shows the artist as he did not want to be seen: in his moments of indecision.

Many of the drawings are easily associated with major works. There is a red-pencil "Study of a Head," a 1504 three-quarter profile that served as a model for the Madonna in the "Tondo Doni" painting that was commissioned on the occasion of the marriage between Agnolo Doni and Mariadonna Strozzi. As in most of Michelangelo's works, the model for the drawing was a young male, probably one of the *giovani* who assisted him.

In "Nude from Behind," we see a study for one of the figures in the "Battle of Cascina," the monumental fresco commissioned to Michelangelo by the Florentine government in 1504. Planned for the Sala del Cinquecento in the Palazzo Vecchio, it was never completed.

The pen and ink drawing shows a young warrior, his well-sculpted back muscles relaxed as he bathes in a river during a pause in the battle. The figure is typical of the young Michelangelo. While powerful and expressive, "Nude from Behind" was not held in particular esteem by Michelangelo, as is evidenced by the

notes that the artist later scribbled on the back of the drawing. An excellent example of a "forced" *pentimento* can be seen in the preparatory sketch for the monumental staircase of Florence's Biblioteca Laurenziana. Michelangelo, who began work on this finished presentation commission in 1525, had originally envisioned a double staircase for the library. Later, on the suggestion of Pope Clement VII, who commissioned the project, he redrafted the design to form a single set of stairs. Both Michelangelo's original idea and the patron-imposed adaptation are visible in the Casa Buonarroti drawing.

Another major change of course is evident in the evocative "Madonna and Child." Most likely a cartoon for a painting that either was never executed or has been lost, the drawing is a well-balanced blend of rough and finished elements similar to that found in the "Prisoner," states that Michelangelo sculpted for the tomb of Pope Julius II. A faint facial contour near the top of the drawing reveals that Michelangelo first intended to show the Madonna in profile as she gazed down at the Christ child; in the finished version, the Madonna looks away from the child in a vast stare.

The "Study for the Last Judgment" (circa 1534) is the most important surviving sketch of the mural that Michelangelo painted in the Sistine Chapel between 1536 and 1541. The drawing shows Michelangelo in a moment when he still intended to preserve the fresco

by Perugino — and his own hunches — that had been previously painted on the chapel's rear wall. Later, Michelangelo would completely revise the project to cover the entire wall.

Ken Shulman is an American writer based in Italy.

BOOKS

JUST TELL ME WHEN TO CRY: A Memoir

By Richard Fleischer. Illustrated. 349 pages. \$21. Carroll & Graf.

Reviewed by Christopher Lehmann-Haupt

RICHARD Fleischer expects the reader to laugh at the stories he tells in his Hollywood memoir, "Just Tell Me When to Cry." As this director writes at the outset: "Movies are a funny business. For some reason it is almost impossible to tell a serious story about the film industry without everyone laughing. The worse the disaster, the more hilarious it becomes. You can tell of careers being ruined, fortunes being lost, people being injured, or worse, and the reaction is always laughter. The trouble, I suppose, is that it's a serious business, it seems so ridiculous to be taken seriously. After all, it's only moving shadows on a silver screen."

Well, you do laugh a couple of times at Fleischer's stories. You laugh at his account of the distinguished director Harold Crisman, having had a request for rain in a scene, turned down for reasons of expense, asking humbly, "Can we afford that?" And you laugh when an actor in "Toral Toral," who, having been released with verbal prompts to react to an

impending explosion, fails to deliver his lines when the bomb finally goes off because, as he tells Fleischer, "You didn't say 'boom!'"

But mostly you heart sink at Fleischer's anecdotes, and you twist uncomfortably in your seat. His account of directing "Doctor Dolittle" for 20th Century Fox involves a series of betrayals in which he and the film's producer, Arthur Jacobs, must first hire Sidney Poitier for a part that the star of the film, Rex Harrison, doesn't want. Sidney Davis Jr. to play, then break the bad news to Davis, then persuade Poitier not to quit in sympathy with Davis and finally get rid of Poitier to reduce the budget.

These stories tell something about how Hollywood used to work and show the way actors like Harrison, Kirk Douglas and Orson Welles worked.

Directing "20,000 Leagues Under the Sea," the author found that Douglas was never quite comfortable unless he was upstaging his fellow actors. In "Compulsion," playing the trial lawyer Clarence Darrow, Welles could not get through his closing summation unless the actors he was addressing shut their eyes. In contrast, Harrison so treasured eye contact that he would complain if the animals he was singing to in "Doctor Dolittle" weren't looking at him. But then, by this account, Harrison was so skilled that, while drunk at an awards banquet, he was able to play Rex Harrison stone-cold sober.

There are so many cases of old scores being

settled that the epigraph of "Just Tell Me When to Cry" might as well have been, "Don't get mad, just write a book." Along with Douglas, Welles and Harrison, figures like Wayne, Robert Mitchum, Darryl F. Zanuck, Juliette Greco, Dino De Laurentis, Laurence Olivier, Terence Rattigan, Neil Diamond and Charlton Heston have arrows shot in their reputations.

Even Walt Disney, who gave the author a major break by hiring him to direct "20,000 Leagues," is criticized for a certain meanness of spirit and for failing to credit the people who worked for him. Here Fleischer is carrying on a family battle; for his father, Max Fleischer, who created Betty Boop and was a pioneer of animated film, never forgave Disney for sweeping the field of cartooning.

Charmingly, he demigrates himself in many of the episodes he recounts. His title refers to an awkward meeting with the actress Sylvia Syms, in which he explained the emotional depths of the character she would be playing for him. "Oh, and by the way," she responded, "when you meet it's . . . just tell me when to cry."

But it is not altogether clear whether he is amused at the Hollywood that so often tried to con him or angry at himself for occasionally being taken in. Christopher Lehmann-Haupt is on the staff of The New York Times.

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Vertical text on the right edge of the page, possibly a page number or reference.

NYSE

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month High Low Open Bid Ask

Symbol	12 Month High	12 Month Low	Open	Bid	Ask
IBM	110.00	100.00	105.00	104.00	106.00
MSFT	40.00	35.00	38.00	37.00	39.00
ORCL	35.00	30.00	32.00	31.00	33.00
HPQ	25.00	20.00	22.00	21.00	23.00
QCOM	15.00	12.00	13.00	12.00	14.00
INTL	10.00	8.00	9.00	8.00	10.00
TXN	8.00	6.00	7.00	6.00	8.00
WDC	6.00	4.00	5.00	4.00	6.00
AVY	5.00	3.00	4.00	3.00	5.00
BA	4.00	2.00	3.00	2.00	4.00
GM	3.00	1.00	2.00	1.00	3.00
AMT	2.00	1.00	1.50	1.40	1.60
DLN	1.50	1.00	1.20	1.10	1.30
WAT	1.00	0.50	0.80	0.70	0.90
WLT	0.80	0.50	0.60	0.50	0.70
WLT	0.60	0.40	0.50	0.40	0.60
WLT	0.40	0.20	0.30	0.20	0.40
WLT	0.20	0.10	0.15	0.10	0.20

Symbol	12 Month High	12 Month Low	Open	Bid	Ask
WLT	0.10	0.05	0.08	0.05	0.10
WLT	0.05	0.02	0.03	0.02	0.05
WLT	0.02	0.01	0.01	0.01	0.02
WLT	0.01	0.00	0.00	0.00	0.01
WLT	0.00	0.00	0.00	0.00	0.00

Symbol	12 Month High	12 Month Low	Open	Bid	Ask
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00

Symbol	12 Month High	12 Month Low	Open	Bid	Ask
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00

Symbol	12 Month High	12 Month Low	Open	Bid	Ask
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00

Symbol	12 Month High	12 Month Low	Open	Bid	Ask
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00
WLT	0.00	0.00	0.00	0.00	0.00

TRIB INDEX

MC SCENE
Domestic Solution
The Everglades

CURRENCY

EC Bank for Frankfurt? Not So Fast

Compiled by Our Staff From Dispatches

FRANKFURT — European governments on Friday disputed a report that the EC Commission had agreed the European Central Bank would be located in Frankfurt. The German financial newspaper Handelsblat reported that a decision had been taken behind the scenes in favor of Frankfurt. The report said the ECB's precursor, the European Monetary Institute, would begin operating in Frankfurt early next year.

The German Finance Ministry did not flatly deny the report. Minister Theo Waigel said on Monday in Brussels that he sees a growing consensus for Frankfurt, a spokeswoman said. "We have nothing to add to that at the moment."

Brussels Tries to Cut Fat Deficit Keeps Growing, Options Shrink

Bloomberg Business News

BRUSSELS — Belgium's shaky coalition government is tracing itself for a tough round of budget talks, and there are signs that plans for reducing the deficit are going awry. In talks starting next week, the government will confront the harsh reality that tax increases and spending cuts introduced in March will not be sufficient to meet deficit reduction targets.

The problem is there is not a lot more the government can do to bring the deficit under control. Ministers recognize that further tax increases or spending cuts could test the four-party coalition to breaking point.

The Belgian government's margin of maneuver in terms of the budget is practically nonexistent, Finance Minister Philippe Maystadt said. Just three-and-a-half months ago ministers were congratulating one another on approving a package of budgetary measures aimed at reducing the budget deficit by 110 billion Belgian francs (\$3.1 billion) from 485 billion francs in 1992.

The mix of spending cuts, tax increases and asset sales will lead to the deficit being cut to 4.7 percent of gross domestic product by the end of 1994 from 6.5 percent in 1992, and pave the way to reducing the deficit to 3 percent of GDP by the end of 1996, the government said.

Under the terms of the Maastricht Treaty on European Union all EC countries must cut government deficits to 3 percent of gross domestic product by the end of 1996 and aim to reduce total public debt to 60 percent of GDP.

ment should sell more than half the shares in a bank and an insurance company. The government had hoped to raise 25 billion francs from the sale. Finally, although the cost of financing Belgium's bloated public debt has been reduced by successive reductions in interest rates, the debt itself is still growing. In May, it reached 125 percent of GDP. A Belgian economic research institute, the High Council on Finance, said the government would have to find a further 65 billion francs between

The Belgian government's margin of maneuver in terms of the budget is practically nonexistent.

Finance Minister Philippe Maystadt.

1994 and the end of 1996 if it is to hit the Maastricht target. But such an idea is opposed by Mr. Maystadt.

He said further tax increases or spending cuts would be "hazardous" because they would jeopardize next year's expected recovery.

Instead, the government is likely to focus on ways of boosting the competitiveness of Belgian companies in order to kick-start the economy. A stronger economy means more government revenue and a lower deficit, the government reasons.

Prime Minister Jean-Luc Dehaene said he would like to see corporate social security contributions reduced and has already approved one measure to do so.

Mr. Dehaene said he wants to further reduce companies' social security bill and raise money instead from indirect taxes such as value-added tax. Should all else fail, the government has one last ace up its sleeve: Belgium, the state-owned telephone monopoly, which analysts estimate could raise 100 billion francs if privatized.

Waigel Predicts End to Recession In Third Quarter

Reuters

BONN — German Finance Minister Theo Waigel said Friday that the German economy should stabilize in the third quarter and that a recovery could become discernible in the fourth. Several of the country's economic research institutes and a poll of managers also agreed that Germany's worst post-war recession had bottomed out.

"We have a situation now where, according to all economic indicators, the decline has been halted," Finance Minister Theo Waigel said in Budapest. "I do not want to be euphoric, but I note that the curves seem to be headed back up."

His comments echoed those of Economics Minister Günter Rexrodt, who said Thursday that recovery was on the way. "Plus signs in a series of economic indicators suggest that we will turn the corner next year," Mr. Rexrodt said.

Many economists have been predicting that Germany's gross domestic product would contract by 1.5 to 2 percent this year and grow by around 1 percent next year, a view shared by the government.

Exchange	Index	Friday Close	Prev. Close	% Change
Frankfurt DAX	1993	118.00	117.00	+0.85
London FTSE 100 index	1993	2,833.00	2,831.70	+0.05
Paris CAC 40	1993	2,228.91	2,226.52	+1.10
Amsterdam CBS Trend	1993	1,818.46	1,807.66	+0.32
Brussels Stock Index	1993	6,792.56	6,797.77	-0.08
Frankfurt DAX	1993	698.99	700.83	-0.22
Helsinki HEX	1993	1,222.91	1,236.52	-1.10
London Financial Times 30	1993	2,833.00	2,831.70	+0.05
London FTSE 100	1993	2,833.00	2,831.70	+0.05
Madrid General Index	1993	258.58	258.90	-0.12
Milan MIB	1993	1,225.00	1,222.00	+0.25
Paris CAC 40	1993	1,874.93	1,963.08	+0.60
Stockholm Affarsvecklingen	1993	1,422.03	1,423.39	-0.10
Zurich Stock Index	1993	388.81	388.39	+0.11
Vienna SBI	1993	820.00	822.00	-0.24

Very briefly:

- The Milan Borsa's first day of screen trading for all blue chips went smoothly, with volume nearly doubling, to 472 billion lire (\$296 million), dealers said. A total of 80 stocks now trade on screen.
- Italian industrial production declined a seasonally adjusted 0.1 percent in May from April and dropped 5.8 percent from a year earlier, said ISTAT, Italy's statistics bureau. French industrial production was stable in June, the Bank of France said, adding no rise was expected soon.
- Yorkshire Food Group PLC is forming a joint venture with Del Monte Corp. via a \$26.7 million acquisition of the U.S. company's dried fruit business. Del Monte will have a 20 percent stake in a newly formed company called Yorkshire Dried Fruit.
- Costain Group PLC said it continued a program of disposals designed to cut debt, with the £23 million (\$34 million) sale of its British householding unit, Costain Homes to a unit of Redrow Group PLC, a privately owned construction and real estate company.
- Volkswagen AG posted a 12 percent fall in sales in the first half of 1993, but the German automaker hopes that for the full year, the decline will be only 6 percent, to 80 billion Deutsche marks (\$46.66 billion) the Handelsblat newspaper quoted a VW executive as saying.

EVERGLADES: A Compromise Between Farmers, Environmentalists

Continued from Page 9

legal battle, with the farmers using their financial muscle to delay implementation. But U.S. Sugar Corp., the largest of the landholders and a company that had gone a long way to atone for the sugar industry's legendary abuse of itinerant labor, presented a deal. And the agreement the industry has just cut with Florida and the Interior Department contains more than a little something for everyone.

The environmentalists get their filtration marshes, a cleanup method the farmers believe will cost far more than alternative technologies. But the growers will get credit against their part of the bill for removing up to 45 percent of the phosphorus on their own. This will allow — indeed, almost guarantee — the creation of a system of tradable phosphorus credits not very different than the one

now being set in place nationally to remove sulfur from power plant smokestacks.

The farmers will divide the responsibility for removing phosphorus, then pay the most efficient among them to refrain from polluting. Robert Hahn, an economist at the American Enterprise Institute, thinks the farmers can remove phosphorus at less than half the cost of the marsh solution.

What J. Nelson Fairbanks, the president of U.S. Sugar, calls an "environmental peace plan" goes further than defining the farmers' responsibilities for runoff. It also includes a framework for dividing rights to Florida's water, and a technical plan for recreating something akin to sheet flow for the grasslands south of the sugar cane fields.

There is plenty of offstage grumbling about the deal. Growers do not see why they should be obliged to discharge water that is purer than the water entering their fields.

By the same token, environmentalists who have been waging guerrilla warfare against the farmers for a decade are smarting about two compromises. The pact puts a clear limit on the farmers' responsibility for the cost of the filtration marshes, and it decrees that a portion of the marshes will be built on public land.

But the agreement will prevent the lawyers from fiddling while the Everglades chokes on cattails. And it is a high-profile precedent for meeting a high-priority environmental challenge — the protection of lakes and rivers from "nonpoint source" pollution.

For the easy part of cleaning America's water is almost done. Most of the silt that enters public waterways comes from thousands of storm sewers, tens of thousands of farms and millions of lawns. One way or another, government is going to have to identify the sources and create incentives for cost-effective abatement.

Fraud Alleged at Hoechst

Bloomberg Business News

FRANKFURT — Hoechst AG, one of Germany's big three chemical concerns, said Friday that it was widening its investigation of an alleged multimillion-mark fraud by employees dating back to 1987. A Hoechst spokesman, Hans-Bernd Haier, confirmed press reports saying the company had dismissed three employees in the affair, which involved the submission of fake invoices, and added that "a number" of other employees

were under investigation. Hoechst's internal auditors are looking into the case, he said.

Hubert Hart, press spokesman for the public prosecutors' office in Frankfurt, said about 20 people were being investigated. Some of these worked for the Frankfurt-based engineering company Hartmann & Braun AG, a supplier to Hoechst, he said.

Mr. Hart estimated the size of the fraud at about 20 million Deutsche marks (\$11.6 million).

FARBEN: War Survivors Assail Notorious Company's Slow Liquidation

Continued from Page 9

companies, with 190,000 employees. The letters IG are an abbreviation for the German words for Interest Group. Bringing the giants Bayer AG, BASF AG and Hoechst AG under one roof, it controlled 40 percent of global chemicals and pharmaceuticals trade in its time. Many of its component companies' biggest holdings were in Eastern Germany, and were seized by the Soviet occupation army after World War II, then handed over to the Communist government of East Germany.

In the German Unity Treaty signed by the Allied powers three years ago, claims on return of eastern property taken over between 1945 and 1949 are prohibited. Germany has said that the prohibition was a condition imposed by the Soviet Union, without which it would not have permitted East and West Germany to unify.

But some claimants argue that Germany invented the condition because federal and local governments wanted much of the property in question themselves.

"I don't see any legal avenue for restitution," a spokesman for the German Finance Ministry said when asked about IG Farben's claims on eastern property. "Others have tried to take

issue with the government's position, but the supreme court has repeatedly turned them down."

"The actions of Daimler-Benz AG in connection with AEG AG and also of Siemens AG are particularly important for our company," said Günter Vollmann, one of IG Farben's two lawyer-liquidators. "Before we were almost alone."

Daimler-Benz, Germany's largest industrial group, recently entered the legal fray with claims on property expropriated during the Soviet occupation from AEG, now its subsidiary.

NASDAQ

Friday's Prices
NASDAQ prices as of 4 P.M. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume. It is updated twice a year.

12 Month High	12 Month Low	Stock	Div	Yld	PE	52 High	52 Low	Change
120	100	IBM	4.00	3.8	15	120	100	+10
150	130	Microsoft	0.00	0.0	15	150	130	+20
100	80	Apple	0.00	0.0	15	100	80	+20
120	100	Oracle	0.00	0.0	15	120	100	+20
150	130	Amazon	0.00	0.0	15	150	130	+20
100	80	Google	0.00	0.0	15	100	80	+20
120	100	Yahoo	0.00	0.0	15	120	100	+20
150	130	Alibaba	0.00	0.0	15	150	130	+20
100	80	Facebook	0.00	0.0	15	100	80	+20
120	100	Twitter	0.00	0.0	15	120	100	+20
150	130	LinkedIn	0.00	0.0	15	150	130	+20
100	80	Slack	0.00	0.0	15	100	80	+20
120	100	Dropbox	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	130	+20
100	80	Zoom	0.00	0.0	15	100	80	+20
120	100	Zoom	0.00	0.0	15	120	100	+20
150	130	Zoom	0.00	0.0	15	150	1	

NYSE

Friday's Closing Tables include the worldwide prices up to the closing on Wall Street and do not reflect late trade elsewhere. Via The Associated Press

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, High, Low, Last, Close, etc.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, High, Low, Last, Close, etc.

BANK: Show Offices Were Just Tip of Iceberg at Attali's European Bank

Continued from Page 1... auditors were told by Mr. Attali's staff that he had signed that check on Feb. 10 of this year.

The committee and auditors from the firm of Coopers & Lybrand, who were brought in to aid the investigation, encountered similar difficulties in verifying some of Mr. Attali's personal expenses, particularly those relating to the charter of private jets.

Coopers & Lybrand found that Mr. Attali had reimbursed the bank \$41,377 (\$61,486) for seven flights he had taken in early 1992. The

Bank D

...of a private nature, or for which no supporting invoices had been provided. It did note that on June 22, just three days before he resigned and well after the investigation had begun, Mr. Attali reimbursed the bank for \$30,431 worth of expenses incurred between 1992 and 1993.

In his news conference, Mr. de Neergaard insisted, however, "that we have not found any evidence of fraud."

Another unsolved mystery is why the bank relied, "almost exclusively," on one company for its chartered jets, the report said.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, High, Low, Last, Close, etc.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, High, Low, Last, Close, etc.

INTERNATIONAL FUNDS

Quotations supplied by funds listed. Not actual quotations as supplied by the Funds listed with the exception of some quotes based on issue prices. The marginal symbols indicate frequency of quotation: (d) - daily; (w) - weekly; (b) - fortnightly (every two weeks); (m) - monthly; (r) - irregularly; (s) - twice weekly; (p) - monthly.

Large table listing various international funds with columns for fund name, share price, and other details.

For information on how to list your fund, fax Simon OSBORN at (33-1) 46 37 21 33.

THE MARKET REPORT

FIRST COLUMN

Privatization: France Looks Equal to U.K.

NINE years after what was not the first — but certainly the most dramatic — international privatization in years, the British government is finishing the job. With the sale of the last tranche of shares in what used to be a state-owned telecommunications monopoly, some points of financial success and failure emerge from the political and economic canvas which inevitably forms the backdrop to such issues.

While the economic and political commentators argue over the benefits of the break-up of the state monopoly (still only partial when compared with the parcelling out of the U.S. telecommunications industry), those who invested can be happy. And not just with the investment performance of British Telecom. Every U.K. privatization issue floated in the last nine years has advanced on its flotation price.

Some say this is a case of the U.K. government handing out a kind of bourgeois welfare benefit (if you had enough money to buy a few shares, you could be sure of making a quick return on your investment). Others argue that it is all a product of the cleverness of the financial sector in its insistence that the issues must be attractive to the financial community, including the international institutional investors who wanted handsomely more shares than were on offer when the BT lists closed Friday. Their argument is reinforced by the fact that identical claims are being made to the French government as it ponders its massive privatization program.

But whatever the reasons, the undoubted fact is that privatizations have been a superb investment for U.K. individual investors, be they long- or short-term holders of the shares.

The French privatization program looks as though it may be a little more tightly priced, although the early sales may cry on the side of generosity as the government seeks to persuade its people that equity-risk investment is a good thing. Prices will also be competitive if the Bundesbank still refuses to lower its rates, as it did on Thursday.

From a financial viewpoint, the French privatizations look about as good as flotations get. But international investors have tax and legal problems. Consult your professional advisers before buying. M.B.

New Markets, for the Adventurous

By Barbara Wall

THE money is still pouring into the world's emerging markets, but is it smart money? Three years ago the smart money was investing in the "Asian Tigers" of Singapore, Taiwan and Thailand. It was thought that their pro-market stance and close proximity to China, one of the world's fastest growing markets, would eventually pay off.

Attention soon shifted to the emerging markets of Latin America, East Asia and southern Europe. But highly volatile performances during 1992 and in early 1993 caught many fund managers on the hop and led investors to question whether the emerging markets had finally run out of steam.

Mexico was one of the few Latin American markets to rise steadily throughout 1992, only to slip back during the first quarter of 1993. Colombia and Chile all performed badly. Falls in the Asian markets during the first half of 1992 gave the appearance of a general decline in the region's fortunes.

The markets of southern Europe performed dismally. By the second half of the year, the Greek market had fallen 31 percent, Portugal had fallen 22 percent and Turkey 35 percent.

"The past year has been an exception in terms of market volatility, but the volatility of emerging markets is generally no greater than developed markets," said a spokesman for Fund Research Ltd., a London-based independent company specializing in mutual fund research.

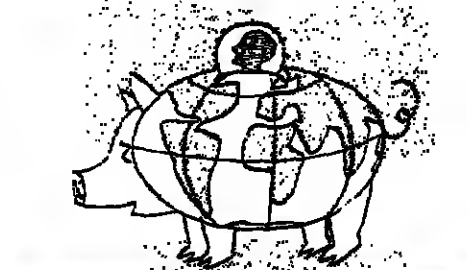
Some analysts argue that emerging markets are still attractive to international investors because they have the potential for higher growth rates than developed markets. China grew at a 10 percent rate over the last 10 years and is forecast to continue growing at a similar rate for the next 10 years. The developed markets, meanwhile, will be extremely lucky to achieve growth rates of 3 percent.

A spokesman for Fund Research Ltd. commented, "Last year's falls, a reflection of markets discounting the impact of reform on short-term corporate outlook, have restored value, demonstrating that restructuring is real and providing a sound base for future growth."

A spokesman for Invesco MIM, a large international fund management company, said, "The outlook for Singapore and Malaysian equities is positive and, in Korea, falling interest rates and a government-sponsored investment program are improving the picture. Mexican equities are attractive because of falling inflation and increasing corporate profits and in Argentina, the prospect of declining interest rates are creating good opportunities for equity growth."

The U.S. fund Templeton is building up its holdings in Latin America after a fairly large sell-off at the beginning of the year. It is also interested in the markets of southern Europe and Indonesia. "Indonesia has been in decline since the mid 1970s, but the market infrastructure is now in place and recent political changes have made the country attractive to foreign investors."

First-time investors are generally advised to invest in a global emerging markets fund rather than a single country fund. The principle aim of most global funds is to capitalize upon a wide range of investment opportunities in many different markets. Greater diversification means reduced volatility and therefore reduced risk.



Emerging Market Performance

Table showing Total return in U.S. dollars to June, 1993 for various emerging markets over 6 months, 1 year, and 3 years.

Source: Morgan Stanley Capital International

country fund. The principle aim of most global funds is to capitalize upon a wide range of investment opportunities in many different markets. Greater diversification means reduced volatility and therefore reduced risk.

Although the funds may look similar, management philosophies differ. The majority of global fund managers identify the country first and then look for suitable stocks. This is known as the "top-down" approach in investment. The philosophy behind this approach is that if market sentiment is favorable and the market rises due to improved liquidity flow, then shares will also rise with it.

Templeton is one of the few managers that has its investment philosophy on stock selection or "the bottom-up" approach. A Templeton spokesman said the company looked for "global bargains — undervalued stocks which will prove a successful investment in the long-term irrespective of market sentiment and performance." Other international fund managers, such as Barings, use a combination of the two approaches.

So, a number of questions should be addressed by would-be investors: Are you looking for a balanced portfolio with representations of all the major areas or a fund which is heavily weighted on the Far East or Latin America? Do you want the manager to take gambles or adopt a low-risk investment approach?

Another issue is the investments you already have. You may have an existing fund which is heavily invested in the Far East or Asia — there is no point in duplicating exposure to these regions.

If you are unimpressed by the performances of some global emerging market funds — on average they have underperformed generalist overseas portfolios in the short term — and want to invest in a single country fund, then you must be realistic.

Market sentiment moves quickly and it is difficult to gauge trends because of limited and sketchy market information. Argentina was certainly not the place to be during the first half of 1992, having fallen by 28 percent. But anyone with money in Turkey during 1993 would be sitting pretty as it is among the best performing markets to date this year.

"Single-country funds are only really suitable for those investors who have a clear idea of what they are buying and why they are buying," said a spokesman for Gartmore. It is often a case for parking money in a region for five years or more and waiting to see what happens.

Certain regions are downright dangerous to be in. Eastern Europe is keen to encourage foreign investment. But many of the constituent markets do not have the necessary laws in place yet to protect investors.

Few funds will invest in a country unless it has soundly based commercial law, an element frequently lacking in Eastern European countries. A dispute over title or even counterfeit certificates would be very difficult to resolve in these circumstances.

A Templeton spokesman said: "The main problem with the markets of Eastern Europe is that stock prices bear little relationship to their actual value — in many cases it's as if the prices are dreamed up."

Tim Cauton of Oliph & Partners, a company that specializes in country funds, follows two Eastern European funds invested in Hungary and Czechoslovakia: "We advise clients to adopt a long-term investment outlook. Nothing much is going to happen in these markets for the next five to six years," he said.

Finally, you need to be aware of jurisdiction and tax constraints when choosing a fund. According to Fund Research Ltd., "the fund formats and different listings and different listings have different regulatory and taxation features which may be appropriate to different investor categories."

For example, the U.K. Securities and Investment Board does not recognize certain markets — such as Indonesia, Thailand and Chile — because they do not have the necessary regulatory frameworks in place. This effectively means that a U.K.-listed mutual fund is limited to investing just 10 percent of its capability in unapproved regions. There are ways around the problem: Some funds invest through single-country funds, others are listed on other markets or domiciled offshore.

Best Emerging Market Funds. Global emerging market funds. Over one year to June 1, 1993. Over three years to June 1, 1993. Single country funds. Over one year to June 1, 1993. Over three years to June 1, 1993.

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Cars for Conscience-Stricken Drivers

By Ann Brocklehurst

IT'S a modern-day dilemma. Your environmental conscience has persuaded you to use your car less often. But since most of the costs of car ownership are fixed, the less you drive, the less the investment pays off. And green as you've become, you're not quite ready to swear off cars altogether.

The answer to your problems may be car sharing, a service now available in several European cities and gaining in popularity fast. Berlin is a case in point.

When the 1,200 customers of Berlin's Statutto GmbH need a car, truck or mini-bus, they simply phone a 24-hour hotline and make their requirements known. They pick up their vehicles from one of 18 special Statutto parking spots scattered around the city. The keys and all the necessary papers are locked in a safe at the parking site which customers open with a special key and computerized card. At the end of the trip they fill out forms giving the distance travelled and duration of the journey. The bill arrives every six weeks.

"You don't have to do anything when you're a member except drive the car," says Carsten Petersen, one of three brothers who founded the car-sharing company in 1990.

"No repairs," he added. "No insurance. No buying gas."

Since the only fixed costs involved in joining Statutto are the 200 DM (\$115) initiation fee, a refundable security deposit of 1,300 DM and a 10 DM monthly charge, customers have no incentive to drive more to get their money's worth. And the less they drive, the less they pay.



The average Statutto customer — a well educated 32-year-old who votes Green — rents a car only once or twice a month. Although charges vary depending on the type of vehicle and when it is used, Statutto users pay 48 pfennigs per kilometer to drive an Opel Corsa compared to the 62 pfennigs paid by a private owner driving the German average of 15,000 kilometers a year.

Statutto members also enjoy a cleaner conscience. While the cars they drive pollute just as much as those in private hands, members use fewer cars to achieve the same mobility. Statutto's 90 vehicles, rented on average 1.2 times per day and equipped with the latest in environmental technology, travel an annual average of 36,000 kilometers, more than double the national norm. They contribute less to traffic jams and parking chaos.

"We're not against cars. We're just against private cars," said Mr. Petersen who is also the head of the European Car Sharing organization which acts as a consultant to new businesses. ECS has members throughout Germany and in Switzerland, Austria and the Netherlands. Car-sharing operations are currently being set up in Sweden and England.

The expansion of the car-sharing network means that customers can also use the service away from home. Berlin customer Stefan Rohner has not found car sharing to be an economical alternative for longer trips outside of Berlin. And he is looking forward to being able to take the train to his destination and then having access to a shared car on arrival.

One disadvantage of car sharing is that on weekends, the most popular time for borrowing, Statutto's prices can work out to be slightly higher than the special package deals offered by some car rental companies.

But Statutto also provides other services. Customers can use its "Mobilcard" as a taxi credit card, there are group offers on bicycle insurance, and the company is trying to get customers discounts on train, bus and subway fares.

With new members signing up at a rate of more than one a day in Berlin, Mr. Petersen sees it as an idea whose time has come. "I'm totally optimistic," he said, "I think in 10-15 years, it will be a normal arrangement."

He concedes, however, that there is one group to whom car sharing may never appeal. "There are lots of people who really feel for their cars and our cars and our cars don't give them that type of special feeling. A Statutto can never be a prestige object."

BRIEFCASE

Fidelity Offers a Service For the Investor in Funds

Fidelity, a major international fund management group, has launched a new service designed to simplify the business of fund investing for the international investor. The idea behind "Funds MarketPlace" is to cater for all the investor's needs in one service.

Key elements of the new service include no-cost telephone dealing, or dealing by mail. Investors also have direct access to specialized dealers. If investors wish to purchase a fund denominated in a currency other than that of the check with which they are paying, currency conversions are done at no additional charge.

Investors may also call for information — but not advice — on individual funds, and can expect to have their financial statement consolidated into one report. Thus, investors will have a statement of the position on equities, bonds and fund investments all in the same report.

"Funds MarketPlace will help streamline our customers' investment activities, enabling the consolidation of all equity, fixed income and managed fund dealing within one stockholding account," said Judith McMichael, a Fidelity marketing director.

For more information, call Fidelity in Britain at (44) 732 777355.

A Few Words on Making Your Broker Your Banker

Question: When is a broker a banker? Answer: When the broker lends you money. The margin account — a credit line extended to brokers to facilitate stock and

Warburg Gold Fund Soars By 181% in the First Half

The bull run in gold bullion has provided a spectacular boost for some funds investing in gold shares. The Mercury Gold & General fund, managed by the London-based mutual fund unit of the S.G. Warburg merchant bank, recorded a gain of 181 percent (calculated in pounds) over the first six months of the year. Gold bullion appreciated by just 21 percent in sterling terms during the period.

"Large investors have entered the market

Discounter Charles Schwab is Planning to Branch Out

Discount brokerage king Charles Schwab, whose omnipresence in television commercials for his company Charles Schwab Corp. has made his face recognizable to millions of American investors, is planning to branch out further in the brokerage and fund industries.

At a Bloomberg Forum held this week in New York, Mr. Schwab said that he plans to market a software package in the fall called "Street Smart," which would provide a wider range of capabilities to investors who conduct trading over their personal computers. Referring to the well-known software product by Microsoft, Mr. Schwab said his new product was "a Windows kind" of advanced software, at one time a technological innovation of the same degree as the one he said he now envisions with "Street Smart," has been highly successful.

Mr. Schwab also told the Bloomberg Forum that he plans to offer his clients shares in an additional 100 mutual funds, free of any transaction charge, within the near future. Over the past year, Schwab Corp. has begun a program enabling investors to buy funds from fund companies with no transaction fee. Mr. Schwab said he's trying to expand that program.

THE MONEY REPORT

Amid Dismal Economic Numbers, Fundamentals Are Looking Up

Outlook



Howard Flight, director, Guinness Flight Global Asset Management

Last month I focused on the lack of political leadership in the West...

It was painfully obvious that none of these various politicians had either the ability or the power to anything much about the world's current economic problems...

While the course of economic events has a natural tendency to be cyclical and it is, therefore, arguably right to look through all the present problems to the sunny uplands of economic recovery...

The U.S. economy is recovering weakly and although relatively well placed, the recovery will remain modest in comparison with the upswing over the last 20 years...

The United Kingdom is now arguably the best-placed mature economy (largely as a result of being the most price-competitive economy in Europe)...

I believe the intractable economic problems facing the German economy are not capable of being resolved by the present administration, especially in the context of the coming local and national elections...

I believe the intractable economic problems facing the German economy are not capable of being resolved by the present administration...

will be effective and I do not perceive the emergence of any key and major new industry, comparable in its role that of the automobile industry of the last 20 years...

Indeed, a central problem of all the mature Western economies is excessive government deficits which these economies really cannot afford for long and, in Europe, the additional nightmare of 17 million unemployed...

I suggest this all implies that inflation will fall further and to lower levels than most mainstream economists presently expect. While fall-

based on past experience. We would continue to argue strongly the merits of an equal division between bonds and equities for all but the most aggressive portfolios.



Anna Tong, director, Aetna Investment Management (Hong Kong) Ltd.

A recent visit to Kuala Lumpur when the market was hitting new highs illuminated the need to be wary of an emerging market flooded with carnival spirit...

The top-down view on Malaysia is undeniably attractive. The Malaysian economy seems to be achieving a soft landing, a scenario which most of the other Southeast Asian countries are envious of...

the benchmark interest rate, has already declined by 50 basis points since the beginning of the year.

Fund managers who cover the Malaysian market know exactly how tough it is to be brave. Even with good macro factors, there will be a lack of strong earnings growth over the next two years to support the current demanding valuations...

The case of Union Paper, which epitomizes the heavy retail involvement and speculative nature of the market, was one bubble that finally burst. The bubble began expanding when investors chased second board shares in the hopes that an UMNO-linked entity was eyeing the company for a reverse takeover...

The risk of the bull market is manifested in the increasing volatility. For the broader market, a 3 percent down day followed by a 2 percent up day is not surprising. For an individual stock a swing of 10 to 15 percent up or down in a day is not unusual.



Christopher Kwiecinski, investment manager, Banque Indosuez, Global Private Banking

The U.S. dollar has staged a remarkable turnaround since mid-June by rallying impressively against the European currencies and establishing a reasonably solid floor relative to the Japanese yen...

Foreign investors should remain motivated by attractive expected total returns expressed in their currencies and maintain overweight U.S. dollar exposure, despite occasional misgivings about Washington's economic and political leadership.

tempest in a teacup) which are bound to recur as long as the severity of the Euro-recession fails to reduce significantly high real interest rates persisting among the hard-core ERM countries.

Little appears to have changed among the fundamentals underpinning the dollar but its correction from undervalued levels (particularly against Europe) has further to go.

The June employment report from the United States has renewed doubts about the underlying strength of the recovery although fears of the loss of momentum appear out of place.

The June employment report from the United States has renewed doubts about the underlying strength of the recovery although fears of the loss of momentum appear out of place.

markets and it is clear that when the central bank decides to implement its tightening bias, it will be in response to deteriorating inflationary expectations rather than to slow a recovery threatening to get

out of control. The bond market is revisiting the historical lows established four months ago and with the latest rally being driven mainly by soft economic numbers, further gains may become problematic.

The stock market, in addition to being past a cyclical peak in earnings momentum, will need to cope with falling corporate profit growth, margin pressure, and rising short-term interest rates. Vulnerability to earnings disappointment implies selective approach and emphasis on deep cyclical and small caps.

The very low levels of interest rates in the United States, with current yields not seen for decades, present American investors and dollar-based portfolios with a special dilemma. Market valuations are relatively high for the equities and most fixed-income securities, while exposure to non-dollar markets reduces their attractiveness due to expected adverse currency movements.

Moreover, higher-risk investors continue to find value among below-investment-grade bonds. These securities which were shunned in the late 1980s have sprung back to life as moderate economic growth combined with falling interest rates in the United States have enabled many corporations to improve their credit rating.

I believe the intractable economic problems facing the German economy are not capable of being resolved by the present administration, especially in the context of the coming local and national elections...

The shares of fund companies tend to track the movements of the stock market, only more so. During the bear markets of 1987 and 1990, the shares of the companies whose funds have been given a push late in the year...

For Mutual Funds, A Wager on the Management Firms

By Conrad de Aemle

It is often said that one of the best ways to bet on the market is to put money into the hands of professional fund managers...

Two of the biggest, T. Rowe Price and Franklin Resources, have tripled since the present bull market started late in 1990. Price, one of the larger providers of no-load funds, went from \$47 level this week and Franklin rose from about \$12 to more at about \$39.

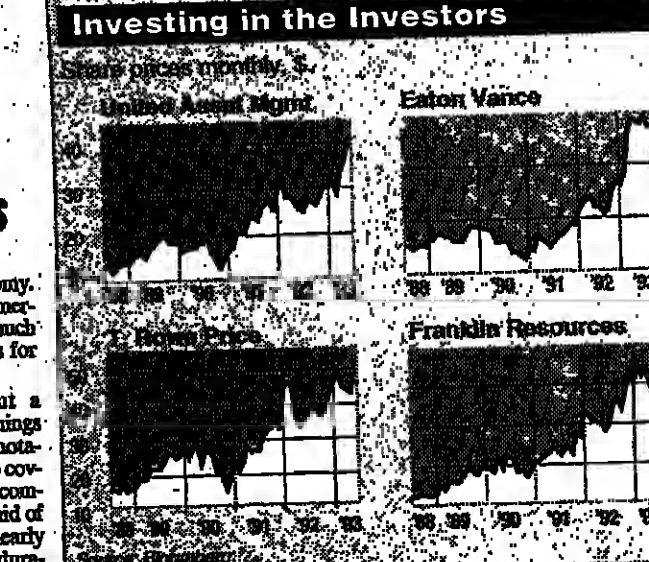
The performance of the fund managers' shares reflects the advance in the market, but more than that it reflects the surge of cash into their funds, which itself is perhaps the prime driver of the advance in stocks and bonds.

Given the demographics in America, they're going to grow much faster than the GNP. That makes for nice leverage in earnings.

Especially now. "Without a doubt, the ability to grow earnings in this environment is very notable," W. Coleman Biting, who covers several of the larger fund companies for Kidder, Peabody, said of the industry.

There were different motivations behind each transaction, Michael Lipper of Lipper Analytical Services commented. "The Templeton deal reflected an actuarial trend that when controlling individuals get older, they look to liquidity."

The deals will have to be friendly, though. "There's a reason why you can't raid a fund company," Mr. Lipper explained. "If you bought more than 25 percent, it would be a change of control, and outside directors of the funds would have to approve it. If they weren't show they could do much good, [the directors] would just buy the contract and award it to the old managers if they started up a new company."



The shares of fund companies tend to track the movements of the stock market, only more so. During the bear markets of 1987 and 1990, the shares of the companies whose funds have been given a push late in the year...

These companies derive the bulk of their income from fees on assets under management. But if stock prices decline, those asset bases will shrink...

Mr. Leeb recommends selling short the shares of Price, Franklin and United Asset Management, saying the three could lose up to half their value, as in past declines.

Something for Less: Buying Shares Direct From Issuing Firms

DOLLAR-COST averaging has become quite popular in the fund business. It allows small investors to buy the same cash value of shares each month or quarter. That means they pick up more shares when prices are lower, and so the method wins nearly unanimous approval from financial advisers.

Other companies that offer a discount on reinvested dividends, he notes, are USFCorp, a gas and electric utility in the United States and Canada, and New Plan Realty, a real estate investment trust that owns shopping centers on the Eastern Seaboard.

OFFSHORE COMPANIES FROM ONLY US\$250

More and more offshore companies and trusts are used by businessmen and high net worth individuals for tax avoidance, privacy and protection of assets.

TOP FUNDS

North Star Group of Companies operates 33 investment funds which have been awarded No. 1 by Lipper's of the US in 1985, 1987, 1988, 1990, 1991 and 1992.

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Of the fund companies as a group, he said: "Fundamentally, we like them because they have shown much faster growth in the

Handwritten note: (1) 10/11/93

SPORTS TOUR DE FRANCE

A 'Nobody' Wins, Prodigy Retreats

By Samuel Abi
International Herald Tribune
MARSEILLE — It was a day of surprises. Fabio Roscioli, an Italian with the Carrera team whose name was previously known primarily to family and friends, won Friday's 12th stage of the Tour de France by more than seven minutes.

And Lance Armstrong, the American bicycling prodigy who started the race at the tender age of 21 as "a learning experience," decided Friday morning that he had received enough lessons while giving a big one himself and that school was out.

The distance, 287.5 kilometers (187.6 miles), was the longest daily stage in this Tour. But it would have offered the boy from Plano, Texas, a few final lessons.

One was how to steal a victory. Roscioli went off alone at Kilometer 104 and built a lead of as much as 16 minutes, 10 seconds as the pack refused to respond.

Perhaps it was the heat of a perfect summer's day, perhaps it was exhaustion after the Alpine ordeal, perhaps it was that Roscioli started the day in 123d place, nearly an hour and 20 minutes behind the leader, Miguel Indurain, and was dangerous to nobody high in the standings. Or, perhaps, it was simply a collective present — a day on vacation — to Indurain on his 29th birthday.

Whatever the reason, Roscioli, who has spent his career in the shadows, fetching raincoats and water bottles for Carrera leaders, held on to win by 7 minutes, 14 seconds and moved up to 70th place overall. His total time was 7 hours, 29 minutes, 44 seconds at a speed of 38.2 kilometers an hour (nearly 24 miles an hour). It was the first known victory for the Italian, who will turn 28 on Sunday, since he became a professional in 1987.

Second was Massimo Ghirotto, an Italian with ZG Mobili, and third was Vladimir Poulnikov, a Ukrainian with Carrera. The main pack, including the overall leaders, was 20:35 behind Roscioli.

There was no change in the overall standings, where Indurain, a Spaniard with Banesto, rules by 3:23.

Roscioli had no plans for the long breakaway, he explained later. "I just saw the chance and went."

The stage began with the manager of Armstrong's Motorola team, Jim Ochowicz, announcing that "Lance is not here for the start today. Lance is done, he's finished today. He's going by car to his home in Italy."

"It was time. This morning, when he woke up, his blood pressure was a little bit off, his pulse was up and it was time to say, 'Hey, Sayonara,' to this."

"He reached his goals," Ochowicz said. "He got a lot of

experience out of his 12 days in the Tour de France, so he's leaving in a very positive mode."

Armstrong said the same Thursday morning before the start of the second of two demanding stages in the Alps.

Referring to his victory in a stirring sprint finish on Sunday, he said, "I'm still learning, but I've already accomplished everything I want to do."

"I'm not going to push myself too much today," he went on. "If I feel like I'm digging a hole, then I'm going to retire myself from the race."

The American struggled through the Alps. He described the first stage, 204 kilometers as "too long and too cold" after he finished 86th, nearly 22 minutes behind the winner. On Thursday he was 97th, nearly 29 minutes behind, after 180 kilometers more. That dropped him to 62d place overall from a high of 12th after his stage victory on Sunday.

He also experienced the frustration that marks struggling riders: His team car was no longer waiting for him at the finish line in the mountain resort of Isola 2000 and he had to ride his bicycle yet a few more miles up a dusty gravel trail to his hotel.

"As if the stage wasn't enough, we have to climb this thing," he grumbled, expletive deleted. In

what amounted to his farewell address to the 80th Tour de France.

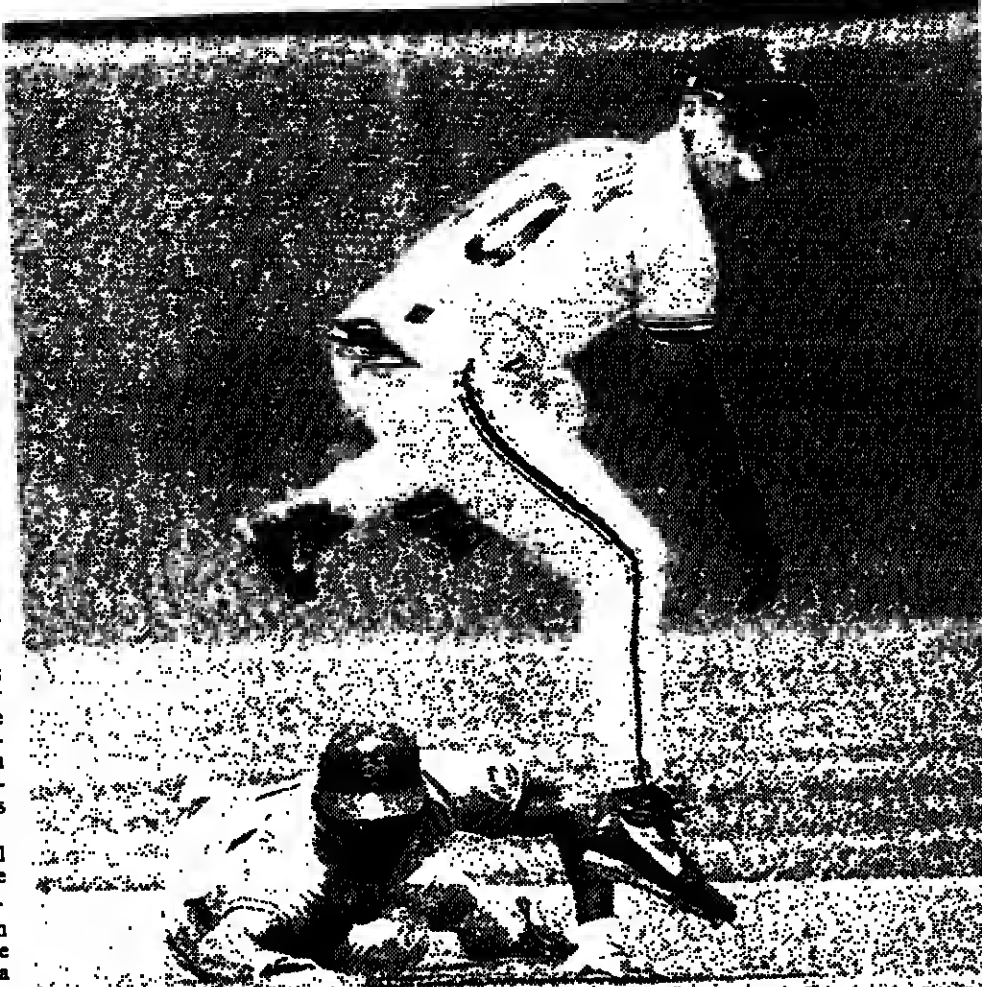
But he missed out on one of the loveliest stages in the last few Tours, traversing the bottom of the Alps and their barren canyons before turning right above Nice and passing through the fertile backlands of Provence.

In its indolent way, the pack might have been sighting all the way from the start in the Italianate village of Isola, with its amber and pale green walls glowing in the sun, and then through Venice and Grasse, past the Chagall chapel, past palm, cypress and olive trees, past laurel bushes ablaze with pink, white and red flowers. What a change this was from the fields of weathered boulders and patches of dirty snow in the Alps.

Then came long, long kilometers of fields planted in wine grapes for Cotes de Provence, an inexpensive and genial red, and Coteaux Varois, ditto, red. Even the finish line, the Mediterranean port of Marseille offered some uplifting views of the sea.

Armstrong, the U.S. professional champion, will get many more chances to enjoy the Tour's vistas.

"He's definitely got the fight in him to be a top rider," Ochowicz said. "He left here knowing he's got to work a little bit on his time trial and his climbing. In the other stages, he can handle that. He's already well ahead of the game there."



Royce Clayton bubbled up on Vince Coleman and the runner at first as the Giants blew away the Mets.

2 All-Stars Lift Jays Past Royals

The Associated Press
The bats that finally awoke in the All-Star Game helped Toronto end a horrendous slump. Paul Molitor and John Olerud, two of the seven Blue Jays on the victorious American League squad, hit bases-empty homers Thursday as Toronto came from behind to end a five-game losing streak with a 7-2 victory over visiting Kansas City. "I know the whole bullpen got a lift when Mottlie's ball sailed over our heads," said Al Leiter, the win-

AL ROUNDUP

ning pitcher. "It kind of picked up the whole team and made us think, hey, we can hit" the Royals' starter, David Cone.
"Then," he added, "when Johnny took him deep, we felt that maybe this was the game."
The two homers just pulled Toronto even. But Olerud walked with the bases loaded to force in the go-ahead run in the eighth as the Blue Jays erupted for five runs.
Tony Fernandez greeted the reliever Tom Gordon with a two-run double and Pat Borders hit a run-scoring ground-out before Gordon's wild pitch allowed another run to score.
Rangers 12, Tigers 7: Rafael Palmeiro hit two homers and two doubles, for four RBIs, against visiting Detroit, as Texas won its fifth straight.
Indians 7, Angels 3: Albert Belle hit a three-run homer against California as Cleveland, playing at home, broke a four-game losing streak. The Indians scored four runs in the seventh, aided by three California errors.
Orioles 5, Twins 3: Harold Reynolds got three hits, one his first homer in more than a year, as resurgent Baltimore, at home, beat struggling Minnesota.

NL ROUNDUP

man for the major-league lead, with two throwing errors in the third that gave host Los Angeles an unearned run that increased its lead to 3-0.
Dennis Martinez lost for the first time in nine decisions since May 17. He allowed four hits in six innings.
Reds 7, Marlins 4: Pitcher Tim Lincecum and catcher Joe Oliver each drove in two runs as Cincinnati, at home, took advantage of three wild pitches to beat Florida.
Cubs 1, Rockies 0: Mike Morgan pitched a five-hitter for his first complete game this season and Steve Buechele doubled in a run in the fourth as Chicago beat visiting Colorado.

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Justice Ministry Suing Tapie

Compiled by Our Staff From Dispatches
PARIS — The Justice Ministry filed a libel suit Friday against Bernard Tapie over his accusations that "Gestapo" methods are being used to investigate the bribery allegations that have made against the beleaguered soccer team Olympique Marseille, of which Tapie is the president and principal owner.

Justice Minister Pierre Mehaengnier said the proceedings were meant "to protect the judiciary against serious accusations."

Tapie's comments on the investigation, in a magazine interview, outraged prosecutors and investigating magistrates.

But the unrepentant Tapie said that the suit would be a chance to "expose the incredible methods" used to investigate allegations made by three Valenciennes players before a match against Marseille.

The minister said the editor and two journalists of the magazine

VSD, which published the Tapie interview, would also be pursued.

"When excessive words are used you have in put upuffers," said Mehaengnier.

In the interview, Tapie said the police "arrive in my offices and keep my secretary detained for 20 hours in a cupboard where she cannot even sit down. That is not legal. It is something out of the Inquisition, the Gestapo."

He also likened the police tactics in the rounding up of Jews during World War II, but has since apologized for those comments.

Friday, he reacted angrily to the justice minister's announcement and said a libel case would be a chance to "let all French people know the precisely what incredible methods have been used by the judiciary in this case."

He said the investigation did not "conform in the most elementary citizens' rights."

Tapie, a former government minister who is a member of parlia-

ment for a Marseille constituency added: "My staff, Olympique Marseille players and all the other protagonists will tell about the pressure, the threats, the blackmail and the promises of all kinds pressed on them during all the questioning and detention."

His parliamentary assistant and chauffeur, Marc Bourcier, was summoned for questioning Friday and spent just over an hour with police.

This followed a day after Mehaengnier ordered the Valenciennes prosecutor, Eric de Montgolfier, to restrict his public declarations.

De Montgolfier said Friday he will now communicate with the press only through written statements because of complaints that he was breaching judicial secrecy regulations.

Tapie also faces an investigation into allegations that he offered money to a former Valenciennes coach, Boro Primorac, to take the blame for the bribes. (AFP, Reuters)

Conner Appears to Have Set Record For Trans-Atlantic Yacht Crossing

The Associated Press
SOUTHAMPTON, England — American skipper Dennis Conner claimed a trans-Atlantic crossing record Friday when he piloted the Winston into harbor minutes after midnight to win the Gold Cup Trans-Atlantic Yacht Race.

The Winston completed the voyage from New York to Southampton in 12 days, 8 hours, 4 minutes, 12 seconds. It also clocked a time of 11 days, 18 hours from Ambrose Lighthouse in New York harbor to Lizard Point at the entrance to the English Channel, the landmarks traditionally used to measure trans-Atlantic records.

If ratified, the time would be the fastest crossing made by a monohull yacht in race conditions. The previous record was 12 days, 4 hours, set by the schooner Atlantic in 1905.

The Winston, in its maiden race, finished nearly three hours ahead of the second-place Broomstick of South Africa, skippered by Joseph de Kock. Britain's Dolphin and Youth, with Chris Humphries at the helm, was third. The race was a tune-up for the Whitbread round-the-world race, which starts from Southampton on Sept. 25.

Peter Johnson of the World Sailing Speed Records Committee, which will judge the validity of the time, said the fastest time ever recorded for a monohull crossing was made in non-race conditions by the French yacht Phoebe in 1988. But its time of 8 days, 3 hours, 29 minutes has not been ratified because of questions over whether the yacht used a powered sailing system.

SIDELINES

Kukoc Reportedly Gets \$14 Million
CHICAGO (AP) — Croatian star Toni Kukoc has agreed to seven-year contract with the three-time NBA champion Chicago Bulls for \$14.63 million, the Chicago Sun-Times reported Friday.
Citing unidentified sources in Europe, the newspaper said that the three-time European player of the year will go to Chicago this weekend and that an announcement is tentatively scheduled for Monday.

For the Record
Yuri Arbachakov of Russia retained his WBC flyweight title and remained unbeaten with a hard-fought but unanimous decision in Kobe, Japan, over Ysaias Zamudio of the United States. (AP)
Brian Laudrup, a member of Denmark's 1992 European championship team, has joined Italian champion AC Milan on a year's loan from relegated Fiorentina, a club spokesman said. (Reuters)

Slipping Phillies Fold In 7th, Padres Win, 5-2

The Associated Press
The Philadelphia Phillies are still struggling.

Tony Gwynn hit a two-out, two-run infield single to break a seventh-inning tie Thursday as the Padres beat the Phillies, 5-2, in San Diego. It was the first-place Phillies' fifth loss in their last seven games and it cut their lead over St. Louis to four games in the National League East. It had been an 11½-game lead on June 14.

"We didn't make the plays necessary defensively to win the game," said the Phillies' manager, Jim Fregosi.

Starter Danny Jackson allowed three hits in 6½ innings, but had a season-high seven walks. He has lost four straight decisions.

An error by first baseman John Kruk on Archi Cianfrocco's hopper to start the seventh resulted in two unearned runs. With one out, Jackson gave up consecutive walks to load the bases and was replaced by Larry Andersen.

Pinch-hitter Jeff Gardner then hit into a force-out, with Cianfrocco out at the plate, but Gwynn put the Padres ahead with a hard-hit grounder that deflected off Kruk.

Cardinals 4, Astros 2: Mark Whiten hit a three-run homer off Doug Drabek as St. Louis beat visiting Houston.

Giants 8, Mets 1: Man Williams' two-run homer led to a four-run fourth as San Francisco crushed visiting New York.

Braves 4, Pirates 0: Tom Glavine held visiting Pittsburgh to five hits for seven innings and Ouis Nixon

FISA Retreats on Imposing Fuel Penalties

Compiled by Our Staff From Dispatches
PARIS — Alain Prost still had 50 Grand Prix victories on Friday after FISA backed off from levying penalties for the use of what it had previously said were illegal fuels.

It decided to give leading teams the "benefit of the doubt" and not overturn the results at San Marino, Spain, Monaco and Canada after a technical report claimed fuels used by the leading teams were illegal.

Three of the races were won by

Prost in his Williams-Renault. But the Formula One season could still be decided in the courts, as Williams-Renault said in a statement from Didcot, England, that the season's top team will file an appeal against the new laws on state-of-the-art technology.

FISA's world council announced Friday that "the information and explanations offered by the competitors concerned and by the eminent experts from the relevant fuel sup-

pliers have cast doubt on the accuracy of the tests which formed the basis of the technical delegate's report.

"The benefit of any doubt must always be given to the competitor," it added.
But FISA said that, in the future, fuel samples would have to be provided by Formula One teams well before they were used in races.
And if cars run on fuel that did not meet regulations, they would be disqualified. (AFP, AP)

DENNIS THE MENACE

PEANUTS

WELCOME HOME, ROUND-HEADED KID!

WIZARD OF ID

REX MORGAN

JUMBLE

THAT SCRAMBLED WORD GAME
by Henry Arnold

Unscramble these four jumbles, then write the words in the four ordinary words.

GLTH
LONBE
GRIFN
VONCLE

Print answers here: HER

BLONDIE

BEEBLE BAILEY

DOONESBURY

GARFIELD

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It's never been easier to subscribe
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DAVE BARRY

The Earthworm Crisis

MIAMI — I am sick and tired of waiting for our so-called "leaders" to stop nattering about the federal budget deficit...

At this point, you have the same questions I did, namely: 1. These people were fighting over WORMS? 2. Is there some kind of new drug going around Canada?

In an effort to answer these questions, I called Canada, which has telephones, and spoke with Detective Sergeant Michael Kingston of the Halton Regional Police...

Out of Kentucky, a Rebel With Causes

By Megan Rosenfeld

WASHINGTON — Writer Barbara Kingsolver wears an expression of such gravity and reserve that the red high-top sneakers at the end of her long, lean frame seem a deliberate gesture of idiosyncrasy...



Author Kingsolver's credo: "Do something about the wrong things."

Kingsolver, 38, writes with a specific agenda: the environment, refugees from Central and South America, the treatment of Native Americans, women, child abuse, the working poor...

But one weekly magazine critic dismissed her previous book "Animal Dreams" as "an entertaining distillation of eco-feminist materials..."

She is quirky rather than kooky, and in the middle of several minutes of author interview, she'll surprise you. She is asked how she knew, as a young woman growing up in rural Kentucky, that she would always work to support herself...

Another part is kind of tired and sees those things as someone else's accomplishment. I don't fool myself that I have written the eighth best book in the country...

attendance, the locals were lined up around the building, holding copies of the book for her to sign. "This is the real fantasy: The high school football heroes I had longed for in adolescence were standing in line waiting for my autograph..."

There was also a standing-room-only crowd at Olson's bookstore here the other night, where about 400 fans crowded into a small space to hear her read from the first chapter of "Figs in Heaven" and have her sign books...

"I lived in a world where terrible things were done to people on the basis of race, gender, age, class or sexual preference, and I was trained to believe that you, as an individual, do something about the wrong things you see..."

PEOPLE

Leno Puts Moratorium On Ted Kennedy Jokes

Senator Edward M. Kennedy can breathe easier when he watches the "Tonight Show." Jay Leno has decided to lay off the Kennedy jokes...

Steve Wyatt, the Texan who reported romance with Sarah Ferguson helped erode her marriage to Prince Andrew, is reportedly planning a marriage of his own...

Princess Diana attended the London premiere of "Jurassic Park" but she did not bring along her young sons, Prince William and Prince Harry...

Mickey Rooney, who was brought in to "The Will Rogers Follies" after Maria Magliocco withdrew from the Broadway musical to await the birth of her baby...

Bob Dylan canceled a Friday night concert in Lyon due to an unspecified illness. The show was among his last before his European tour ends at a festival in Merit.

INTERNATIONAL CLASSIFIED
Appears on Pages 4 & 7

WEATHER

Weather forecast tables for Europe, Asia, North America, Middle East, Latin America, and Oceania. Includes high/low temperatures and wind speeds.

THIS WEEKEND AT THE BEACH

Beach weather forecast tables for Saturday and Sunday. Includes location, weather conditions, high/low temperatures, and wind speeds.

If you're going to travel all over the map, here's how to call from almost any point on it.

AT&T Access Numbers
A large advertisement for AT&T international calling services, featuring a globe and a list of access numbers for various countries.